THE Freeman

IDEAS ON LIBERTY

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THE Freeman

FEBRUARY 1966 Vol. 16, No. 2

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THE CURE FOR POVERTY:

WILLIAM HENRY CHAMBERLIN

THE SUBJECT OF POVERTY, individual and national, is receiving a good deal of attention and discussion. Large sums are being appropriated for a so-called crusade against poverty in "underprivileged" city and rural areas. And it is a current intellectual fad to suggest that there is danger of war, or some other kind of unpleasant explosion, in the wide gap in living standards between the relatively prosperous nations of North America and Western Europe and the poorer countries of Asia, Africa, and South America.

There has been a plethora of proposals for "sharing the wealth," nationally as well as internationally. And a fair start has been made in this direction by the graduated income tax and other devices for pillaging the thrifty for the benefit of the thriftless and by setting up an unprecedented system of peacetime subsidies from the United States and various European countries to the needy states of the world.

But the poor are still with us at home; the campaigns in the loudly advertised war against poverty often seem to break down in an atmosphere of squabbling over who gets what when, and charges of misappropriation of funds. In the case of the HARYOU organization in Harlem the argument in reply to these accusations was that lots of money had to be spent

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fast as a kind of payment of blackmail to disorderly characters not to engage in riot, arson, and pillage. It might be noted that, according to all experience, paying blackmail in this fashion does not purchase permanent immunity from violence. For the blackmailer always comes back.

Nor has foreign aid, extended by the United States and other countries, proved a panacea for most of the newly independent states. Such countries as Indonesia, Algeria, the Congo are conspicuously worse off than they were under Dutch, French, and Belgian administration; and this is true as regards a number of other fledgling states.

The prediction of war unless, in some miraculous way, the poorer countries of the world are raised to the economic level of the more prosperous is not impressive or convincing. There was a time when hordes of barbarians could overrun much more civilized empires, if the latter had gone soft and neglected their defenses. But in the twentieth century only a nation sufficiently developed economically to produce modern nuclear and other sophisticated weapons could start a war against a nuclear "have" power without inviting devastation to the point of annihilation.

The big wars of modern times have been fought between states with maturely developed economies. The days of sudden irruptions of hosts of unknown barbarians, often fleeing from the pressure of still more formidable barbarian forces, are over.

In order to see the problem of poverty and its cure or alleviation in perspective, several points must be borne in mind.

Compared with What?

First, poverty is relative. A family that would be considered poor in the United States would be the envy of most families in India, Albania, Chad, or Upper Volta. John Steinbeck's novel, *The Grapes of Wrath*, was a bitter indictment of the depression suffering that drove many tenant farmers in Oklahoma to migrate to California – where, incidentally, most of them found new opportunities and got along quite well. Yet, when a film based on this novel was shown in the Soviet Union, its propaganda value missed fire. Where did these people, if they were so poor and miserable, get their automobiles, was one question that occurred to Soviet audiences. How could they move without permission of the authorities? How could they be wearing such good shoes? There was this same element of relativity when Red Army peasant

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soldiers, breaking into working-class quarters in Vienna, could not believe that workers lived in apartments with individual baths and kitchens.

I was in the United States at the height of the depression in the winter of 1932-33. An old acquaintance in Milwaukee, connected with the relief organization there, gave me a list of groceries supplied to persons on relief. I took the list back to Russia with me and showed it to a non-communist Soviet friend. He could hardly believe his eyes. "There isn't an employed worker in Russia who could count on a diet like this," he said. "Even highly placed Party and Soviet officials would be happy if they could count on a regular allotment of oranges and other food items on this list, some of which we haven't seen for years."

Some Poorer than Others

Second, no matter how high a country may raise its standard of living, there will always be a bottom tenth, or fifth, or third, whatever fractional measurement is chosen, of the people who will be less well off than others. This is partly a matter of misfortune in the case of those who are physically or mentally handicapped, partly a matter of comparative intelligence and aptitude in acquiring skills, partly a matter of willingness to work. This last element becomes especially important in keeping people on the unemployment rolls and in the general classification of poverty when Federal and state relief programs become so generous that there is little incentive to perform the jobs which are lowest in economic value and remuneration.

Moreover, a certain number of people will always, of their own volition, withdraw from the competitive world. In some cases this may be for high motives, as when a writer, an artist, a musician, a scientist is willing to live on a subsistence minimum while he devotes himself to literary, artistic, or scientific creation and experimentation. More frequently the cause is temperamental aversion to or incapacity for steady work. So, under any economic system, some people will have less earning capacity and live in poorer houses, wear cheaper clothes, eat less luxurious food than others; although the average standard of living in some countries will be much higher than it is in others.

Compulsory Equality Challenged

If one desires a convincing practical illustration of the futility of trying to establish a society based on complete equality of compensation for all its members,

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one need only look at the contrast between the Soviet Union, as it was in the first years of the communist revolution and as it is today.

There was no means of forethought by which a man of thrift and property could have insured himself against the consequences of the wave of nationalization, confiscation, and robberization that swept over Russia as Lenin and his followers seized and consolidated their power. The factory owners, the factory stockholders were expropriated. The banks and their assets were nationalized. The owner of a house was lucky if he could stay on in the basement after the local Soviet had taken over the dwelling and assigned the more desirable rooms to deserving comrades. All land was taken over by the state and parceled out to the peasants on the basis of the size of their families. The individual who preferred to hide his money savings in a sock found himself with only waste paper as the value of the ruble dwindled to zero. Perhaps the first challenge to the wild-eyed egalitarianism of the time — an equality, incidentally, of hunger, cold, and general misery — was that of the famous singer, Chaliapin, unforgettable in the roles of Boris Godunov and Mephistopheles.

It was decreed that all the personnel in the state opera, from leading singers to stagehands, should receive the same scanty ration. Chaliapin, a husky peasant with an enormous appetite, balked and carried out a one-man strike with conspicuous success. "Very well," he said, "I worked at manual jobs before I became a singer. I will be a stagehand now." And the authorities, anxious at least to give the public some entertainment, gave in and winked at Chaliapin's receiving a substantial individual ration, so long as he would continue to sing.

Income Variations in Russia

But after this initial sweeping universal impoverishment, a whole new system of differential wages and salaries grew up. In the beginning members of the ruling Communist Party, as a means of preserving their idealism, were required to accept only a skilled worker's pay, regardless of the importance of the post they might occupy. This rule has long been discarded and today, ironically enough, membership in the Communist Party is one of the surest roads to wealth, provided the holder of the party card possesses enough ability and ingenuity to climb to the top of the political and economic ladder. Visitors to Moscow are often strongly impressed by the tremendous spread

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in standards of living between the privileged class at the top in Russia today and the masses of workers, peasants, and employees. This is reflected in such perquisites of membership in the Soviet elite as chauffeur-driven cars, expensive apartments with luxurious furnishings, country homes, ability to patronize expensive restaurants – all things far beyond the dreams of the ordinary citizen.

The Necessity of Inequality

The Soviet experiment, and the Chinese, offer convincing proof that there is no cure for poverty in wholesale expropriation and spoliation. This may temporarily produce equality of a sort, but only equality of extreme privation and misery. As soon as economic life begins to revive, new favored classes begin to appear, and new inequalities. This process is as inescapable as the working of some law of natural science. The necessity – not of poverty in its more extreme and squalid forms, which tend to abate or disappear in more prosperous societies, but of inequality as a condition of human progress – is forcefully put by one of America's most powerful conservative political thinkers, John C. Calhoun, in his *Disquisition on Government:*

> Now, as individuals differ greatly from each other, in intelligence, sagacity, energy, perseverance, skill, habits of industry and economy, physical power, position and opportunity, the necessary effect of leaving all free to exert themselves to better their condition, must be a corresponding inequality between those who may possess these qualities and advantages in a high degree and those who may be deficient in them. The only means by which this result can be prevented are, either to impose such restrictions on the exertions of those who may possess them in a high degree as will place them on a level with those who do not, or to deprive them of the fruits of their exertions. But to impose such restrictions on them would be destructive of liberty, while to deprive them of the fruits of their exertions would be to destroy the desire of bettering their condition.
>
> It is indeed this inequality of condition between the front and rear ranks, in the march of progress, which gives so strong an impulse to the former to maintain their position, and to the latter to press forward into their files. This gives to progress its greatest impulse. To force the front rank back to the rear, or attempt to push forward the rear into line with the front, by the interposition of the government, would put an end to the impulse and effectually arrest the march of progress.

These wise reflections should be borne in mind when it is lightly

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assumed that large appropriations of government funds will end poverty at home or that big enough government-to-government handouts will end poverty among nations. Among all the factors promoting human progress toward higher living standards, perhaps the most dynamic is competition. And the existence of a fairly competitive society is the best guaranty against extreme poverty that has yet been discovered. (There was a good deal of homely truth in the sticker which figured in a recent political campaign: "I Fight Poverty. I Work.")

The Cure for Poverty Is to Spark Personal Ambition

The only hopeful real cure for poverty is not a proliferation of bureaucratic social agencies and eager-beaver crusaders. It is the kindling of the vital spark of personal ambition in the hearts of those whose poverty is not the result of causes beyond their control. How to kindle this spark is not a simple or easy problem. But surely one of the most hopeful means is to hold out the prospect that the man who is poor today may be well-to-do or even rich in the future. And it is only in a fluid, competitive society that this prospect becomes a reality. There is much truth in Macaulay's formula for continued economic progress, which may be summed up as follows:

> Leave capital to find its most lucrative course, commodities their fair price, industry and intelligence their natural reward, idleness and folly their natural punishment, by maintaining peace, by defending property and by observing strict economy in every department of the state. Let the government do this and the people will assuredly do the rest.

The only effective cure for individual poverty is individual effort. The best stimulus to this effort is the constant spectacle of what other individuals, no more favored by early surroundings and circumstances, have been able to achieve by their own efforts. Handouts are of no permanent value. Still less is any benefit to be expected from resort to violence and rioting. Imagine what impression a rioter would make on a prospective employer by offering as a job recommendation some such statement as this: "I took part in looting four stores and burning six others."

With nations as with individuals, there is no short magic road from destitution to affluence. No one owes the more indigent areas of the world a living, although one would never suspect this from the yeasty oratory that is popular in some quarters. Asians, Africans,

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South Americans must work for their living like everyone else. How quickly and successfully these economically retarded areas of the world will achieve their goals of better schools and roads, more food and clothing, and other good things of life depends mainly on the policies which their governments pursue.

On the International Scale

Unfortunately, these policies have not always been marked by wisdom. All developing lands need capital; but the new governments often frighten away foreign investment by hostile and confiscatory measures. Foreign aid, when it is given, is often frittered away in mistaken projects of state planning.

Some years ago a distinguished Indian member of the Mt. Pelerin Society – an organization committed to the ideal of integral liberty, with economic liberty as its base – after pointing out many examples of misapplication of American aid by Indian state planners, drew a round of applause when he announced his conclusion: "What India needs is not dollars, but the spirit of the Mt. Pelerin Society."

For nations, as for individuals, the cure for poverty is intelligently directed individual effort, free from the blunders and distortions of state direction. ◈

IDEAS ON LIBERTY

Marxism in One Minute

THE WHOLE GOSPEL of Karl Marx can be summed up in a single sentence: Hate the man who is better off than you are. Never under any circumstances admit that his success may be due to his own efforts, to the productive contribution he has made to the whole community. Always attribute his success to the exploitation, the cheating, the more or less open robbery of others. Never under any circumstances admit that your own failure may be owing to your own weaknesses, or that the failure of anyone else may be due to his own defects – his laziness, incompetence, improvidence, or stupidity. Never believe in the honesty or disinterestedness of anyone who disagrees with you.

This basic hatred is the heart of Marxism. This is its animating force. You can throw away the dialectical materialism, the Hegelian framework, the technical jargon, the "scientific" analysis, and millions of pretentious words, and you still have the core: the implacable hatred and envy that are the *raison d'etre* for all the rest.

HENRY HAZLITT

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PROPERTY AND

PAUL L. POIROT

IF HUMAN BEINGS were constituted the way communist or socialist doctrine contends they ought to be for perfect implementation of the formula, "from each according to ability, to each according to need," then such terms as *property* and *poverty* would lose all meaning and might be expected to drop from use. Nor would there be need for such a word as *individuality* to signify marks of distinction among equally characterless comrades.

Property, then, must be a distinguishing feature in any society where the dignity of the individual is recognized and respected – *private property*, under individual ownership and control, restricted only to the extent that such personal use might injuriously infringe upon the comparable dignity and rights of other human beings. In other words, respect for the dignity of an individual presumes that individual to be responsible for the development and the use of his faculties, his qualities, his properties. Private ownership of property presumes a personal responsibility and liability for the use of that property – property being one aspect of the character of an individual. Respect for the dignity of an individual presumes his property to be a vital part of his life – his right, and his responsibility.

To respect the dignity of an individual is not to expect perfection of that individual; nor could anyone who presumes himself to be perfect honestly respect the dignity of anyone at all different from himself. "Perfect" men are bound to organize utopias and try to manage the inmates. Only imperfect individuals can be expected to tolerate either real or imagined imperfections in others and live together with mutual respect and human dignity. So, to practice freedom is to tolerate

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mistakes, not in the sense of inviting or cultivating error, but as one of the prices to be paid in the endless search for improved ways and means toward meeting man's rising expectations.

Freedom of the individual to make his own mistakes in the use of his life and his property places squarely upon him an unlimited liability for the consequences. To act in ways that trespass against the lives and properties of others is to invite claims for damages and punitive reactions from them. Governments are constituted and laws enacted among men to identify and suppress those abuses of freedom that deprive others of their freedom. But it is neither necessary nor desirable to pass laws to prevent mistakes at one's own expense.

The Right to Fail Should Not Be Outlawed

Such laws are unnecessary, because the direct victim of his own mistake ought to be afforded every opportunity to bear the burden and learn from it. And he should need no further incentive to avoid similar mistakes in the future – no law to tell him to stop hurting himself. To the extent that poverty results from personal mistakes, it serves as incentive to correct or avoid such mistakes and should not be outlawed.

Not only are such laws unnecessary, but they are undesirable. With our capacity for hindsight, the following may not now seem true; but, at the time, almost every great discovery, breakthrough, invention, or bit of progress toward civilization must have seemed to the vast conservative majority of his contemporaries to have been a mistake on the part of the innovator. If he were different, he must be wrong! So, society's laws to prevent mistakes almost certainly would be aimed to suppress differences, and thus, inadvertently, would stifle progress.

Let there be no mistaking what has just been said. A society with laws to preclude mistakes by individuals is a collectivistic form of society that elevates the group above the individual and lacks respect for the dignity and the life of the individual human being. And a most obvious characteristic of such a society is common ownership or government control, rather than private ownership and control of economic goods and services. Laws and government programs to abolish or alleviate poverty, regardless of the good and honorable intentions of their sponsors, must be recognized and counted as laws to prevent mistakes or to relieve the individual of the consequences of his mistakes. Tending in that same direc-

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tion are certain features of our bankruptcy laws and the laws affording limited liability to individual participants in corporate and cooperative business ventures and to the members of labor unions.

Any law that relieves any individual of the consequences of a mistaken use of his life or his property must necessarily and at the same time at least partially deny him and other individuals the benefits of the wise and judicious use of their faculties and properties. This encourages irresponsible human action and results in the loss of self-respect as well as respect for the dignity of one's fellow man. Herein lies the great threat and harm of compulsory collectivism among men, that it diminishes the incentive of every individual involved to achieve his greatest potential as a human being.

Compulsory Programs Have Failed

The countercharge, of course, must be faced: that the intent of compulsory collectivism is quite the opposite, that the objective of sharing the wealth is to give the poor individual a greater chance than he might otherwise have had. However, the results do not in practice, and cannot in theory, measure up to that laudable aim.

History profusely records the failure of compulsory programs to alleviate poverty. The ways of identifying the poverty problem have varied, as have the details of the coercive methods applied toward its solution. But perhaps the most common manifestation of poverty has been hunger and the threat of starvation – a population in excess of the available food supply. And the most common manifestation of the proposed compulsory cure has been "the man on horseback," some aristocratic ruler presumed able to plan and manage the lives of "lesser" human beings. Another distinguishing feature of such societies has been the classification of individuals according to status or caste in some form of master-slave arrangement. And closely related to this classification of people has been the concentration of property under the control of the ruler and his court.

In other words, when human poverty has been considered primarily in terms of hunger, starvation, and other physical needs of masses of people, the customary "cure" has involved "Superman," or a small ruling clique of supermen, managing the great body of mankind as though these people were simply a number of mindless ordinary animals constituting a useful herd; the dignity of man has been denied.

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A Faulty Solution

No dream should have been necessary under the rulership of the Pharaoh's of ancient Egypt to foresee famine threatening such a slave society. But wise indeed would have been an interpreter of dreams in those days who could have known that the voluntary transactions of free men in a free market, with private ownership and control of scarce goods and services, might afford a solution to the problems of chronic and acute surpluses and shortages. For all Joseph knew, the only cure for too much government intervention was more intervention, planning, and control. To be saved from starvation by that arrangement was to be further enslaved to the Pharaoh.

The early history of the Plymouth Colony in the New World affords further evidence of the disastrous consequences of collective treatment of the poverty problem. The first years of communal effort, pooling the harvest and sharing "according to need," were marked by dissension, dearth, and death. Fortunately, the solution was to try private ownership of the land and the fruits of each owner's labor; and hunger and famine have been unknown in the land since that change.

In his 1869 essay on "The Famine of 1770 in Bengal," John Fiske attributed the severity of the famine to the prevailing laws prohibiting all speculation in rice. In this, as in earlier and also in subsequent famines that have periodically plagued so much of the Orient from time immemorial, governments have intervened with price controls, rationing, and similar restraints and compulsions. Always, the justification is that this is "for the good of the people." Always, the consequence is "people control," as if they were animals – and famines have prevailed to this day.

William Henry Chamberlin reminds us that the serious famines of the twentieth century, notably in Russia and Communist China, must be attributed in their extent and severity to the agrarian reform efforts and other manifestations of compulsory collectivism on its way to "the classless society."[1] The darkest cloud on the horizon of man today is the inevitability of famine on a scale previously undreamed, if populations continue to expand at present rates in countries such as Russia, Red China, India, Cuba, and others where private property is subject to arbitrary governmental expropriation and individuals are

[1] "State Economic Planning: Tragedy or Futility," THE FREEMAN, January 1966, p. 27.

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denied their rights of entry for voluntary exchange in the open competitive market.

Shakespeare caught the essence of the problem of poverty in this passage in *Othello*:

Who steals my purse steals trash; 'tis something, nothing:
'Twas mine, 'tis his, and has been slave to thousands;
But he that filches from me my good name
Robs me of that which not enriches him
And makes me poor indeed.

In other words, the concept of private property is quite meaningless unless there be respect for the dignity – the good name – of the individual human being. Poor indeed is the individual who counts for nothing in terms of the well-being of the collective. Yet, if there be no respect for private property, neither is there within such a society any meaningful measure of poverty. And even the mass murder of millions of kulaks through man-made famine can be passed off as a necessary detail in communism's march toward "progress."

From a strictly economic point of view, poverty might be construed as the scarcity of a given resource relative to the demand for it. In other words, the price of a given item is beyond the reach of certain potential customers. But this is only another way of saying that the limited resources of such potential customers – their pennies, their services, or whatever marketable items they might in turn have to offer – are priced beyond the reach of so-called suppliers. For it must be remembered that in the market economy the customer for one thing is bound to be the supplier of another, and vice versa. If Henry Ford, for instance, had held the world's supply of automobiles at prices beyond the means of all customers, it might have been contended that Henry Ford was a victim of poverty in that he could not – or would not – afford to buy the things others were willing to offer in exchange for his automobiles.

The fact, of course, is that Mr. Ford could and did "buy" what customers offered for his cars, the result being a "nation on wheels." His genius was in his capacity to mass produce for the masses, through the operation of the laws of supply and demand and price in the competitive market. And the "poor" customers of America handsomely rewarded Mr. Ford for that contribution toward the alleviation of their poverty. Messrs. Woolworth, Kresge, Penney, and countless others similarly attained fortunes through thus catering to the wishes of property-

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respecting consumers according to the free market method of waging war on poverty. The result has been referred to as the "affluent private sector" of the economy by those who cannot or will not see that the public (government) sector inevitably will be starved – even if they themselves were put in charge of other people's problems.

Poverty, then – in this sense of the term – is the great persuader as well as the great conservator, the incentive each of us has either to hoard or to bring to market those scarce and valuable resources that others want in exchange for their own goods or services. Poverty and property are closely related, personal, private conditions, meaningful and applicable only to individual human beings. Those who would use their relative poverty to justify seizure or denial of the property rights of others thereby revert from man to animal, destroy their own access to the market, and commit themselves to the authoritarian ways that always have spelled starvation.

Where Do We Stand?

In the light of the foregoing observations, how goes the real war on poverty in the United States of America and in the world today? In Russia, in Communist China, in India, in Cuba, and in most other totalitarian economies, the threat of starvation is too near to admit any other answer. But do not the totalitarian measures rampant in the United States and elsewhere in the "free world" portend that same end?

What else can be expected from these government-enforced grants of special privileges for labor, and agriculture, and one pressure group after another? What can be the hopeful end of the regressive Social Security taxes that already exceed the progressively graduated personal income taxes of at least half of the families in America? What is the state of health of those now relieved of personal responsibility for their medicare? Is a man's home still his castle under the threat of eminent domain to achieve the ends of public housing, urban renewal, area redevelopment, flood control, and related efforts at group salvation?

Not even in America can we hope to escape the inevitable starvation that has always resulted from governmental subsidization of poverty – *unless we turn back to the defense of private property and the open competition of the market, based upon respect for the dignity of every human being.* ◈

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W. A. PATON

BACK IN 1887 President Grover Cleveland disapproved a bill to provide $10,000 of Federal aid to farmers in some drouth-stricken counties of Texas. His veto message included the following: "I can find no warrant for such an appropriation in the Constitution, and I do not believe that the power and duty of the general government ought to be extended to the relief of individual suffering which is in no manner properly related to the public service or benefit. A prevalent tendency to disregard the limited mission of this power and duty should, I think, be steadfastly resisted. . . ."

There has been quite a change since Cleveland's day. The "prevalent tendency" that he observed has grown from a trickle to a torrent. Turning to Uncle Sam for help in meeting local emergencies and difficulties has become standard practice. A few years ago there were complaints among apple growers in one of the states regarding prices and marketing methods, and the governor of the state promptly hopped on a plane and flew to Washington to seek assistance. That same season a couple of other governors made the trek, with plenty of publicity, to ask for aid to relieve the distress caused by local crop failures.

But such journeys, apparently, are no longer required. All that is necessary today is to telephone the bad news to the White House and the President himself will fly over the floods, the dry fields, the frost-bitten orange groves, the

Dr. Paton is Professor Emeritus of Accounting and of Economics, University of Michigan, and is known throughout the world for his outstanding work in these fields. His current comments on American attitudes and behavior are worthy of everyone's attention.

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forest fire, the tornado's path, or other trouble spot, and on the basis of this high-level and high-speed inspection decide upon the appropriate relief program.

The Habit Acquired

The habit of begging rides on the Federal gravy train is easily acquired, especially when the Boss Man and his crew are eager to attract passengers. Last summer the current governor of the state that had the apple troubles earlier proposed that some twenty counties, which had had no substantial rainfall for four or five weeks, be designated as disaster areas. A person driving around the state at that time would have had trouble picking out the afflicted counties making up the governor's list. And undoubtedly an investigator could have found many people in almost every community throughout the state — and especially in the towns where governmental water departments, not noted for good management, had prohibited sprinkling of lawns and gardens— who were complaining about the dry weather. (A careful observer might have noticed, too, that Sol & Co. don't pay much attention to county lines in providing or withholding precipitation.)

Shortly after the governor's announcement, as it happened, there were heavy rains almost everywhere, and before long there was considerable grumbling about the "unusual" wet weather, and resulting troubles encountered in harvesting and other outdoor operations. There was little or no critical comment, however, regarding the governor's efforts — an indication of the extent to which we are all becoming accustomed to the idea of relying on Washington to bail us out of difficulties, both ordinary and extraordinary.

Adverse Weather

Anyone who has lived in the U.S.A. for long, done the usual amount of domestic traveling, and kept up with the news about meteorological conditions, is well aware of the fact that in most sections of the country the weather is highly variable, seasonally and within seasons. He knows that there are drouths, hurricanes, floods, freezes, and other unpleasant happenings somewhere every year (which is not to deny that some years are worse than others). He also knows that nowhere are ideal conditions to be found, for any considerable period, and that there is no possible weather formula for an area that will satisfy everybody, continuously.

In other words, adverse weather is a commonplace, one of the fac-

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tors that makes life still a bit rugged, despite the marvelous improvements in housing, transportation, construction equipment, agricultural methods, and so on. And if a spell of unfavorable weather provides justification for the label "disaster area," it would seem reasonable to describe the entire U.S.A. as such an area and be done with it, instead of employing piecemeal procedure.

To Get One's Share

One thing we can be quite sure of: Before long it will become very apparent to the residents of counties and communities that have been left out of a regional relief program that they are getting shortchanged with respect to the outflow of Federal funds, and that they must make an effort to qualify for a cut. In most cases it will not be difficult to find local troubles and problems that will suffice to put the area on the needy list, especially in view of the present tendency to welcome new clients for Federal handouts.

It is not necessary to look very far ahead, moreover, to see a situation in which the rare community which wants to be independent, which would like to take care of its own emergencies, which has a citizenry that believes that local problems should be solved locally, by those directly concerned, will find itself regarded as a maverick if not a menace by the Federal octopus, and will be pressured vigorously and unrelentingly to get in line. Indeed, this state of affairs is already in evidence in the handling of Federal aid to education and some of the other programs, both minor and massive. And while major cities such as Chicago, with considerable political influence, may offer some resistance to discriminatory pressures, the smaller communities will generally feel obliged to knuckle under promptly, without serious protest.

Everyone Pays

It is amazing, but quite apparent, that many of us are unwilling to face up to the plain fact that it is the taxpayers of the country (and that means nearly everybody, when all forms of tax levies, direct and indirect, are taken into account) who foot the bill for governmental handouts, of every kind and description. Where there *is* awareness of this fact, moreover, there is a widespread tendency to forget that the process of assessing and collecting taxes, to provide the money for Big Brother to spend in our behalf, plus the development and operation of an administrative and disbursing apparatus, heavily manned, means that the return

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"relief" flow to states, localities, and specific families and individuals, is a much reduced stream. In short, the cost of taking our money away from us and spending it for us is very substantial.

Another common misunderstanding is found in the view that some states or regions get back more than the Federal take from such states or regions. Of course, levies on taxpayers generally can bring a net gain to a strictly limited list of localities or groups, with low taxpaying power. But with relief and aid programs widely applicable as they are now, on a tremendous scale, and keeping in mind the cost of such programs and the broad impact of present-day tax burdens, it can hardly be expected that any region of substantial size will recover 100 per cent of its contributions to the programs.

Statistical demonstration of this state of affairs is somewhat difficult, but such data and estimates as are available indicate that none of the fifty states gets back more than the outgoing amount. It is fairly obvious that no kind of tax-handout program can improve the lot of all of us. The formula of from-everybody-to-everybody has never been made to work. It is literally impossible, of course, to improve the per-capita standard of living without per-capita improvement in economic effort and performance. Trying to accomplish this by governmental redistribution programs is just as futile as trying to lift ourselves up by tugging at our bootstraps.

Coercive Powers Lack Magic

At times many Americans evidence an almost mystic faith in the ability of government agencies to cure all our ills. They forget that government is nothing more than people, operating with coercive powers either seized in one way or another or granted and sanctioned, more or less completely, by the citizenry. These people have no Aladdin's lamps or other magic tools, as should be very apparent to anyone who has had the opportunity to observe closely either local or central government in action. At the best, government consists of some conscientious and capable persons trying hard to accomplish certain specified and limited chores that have been delegated to them; at the worst, government consists of one or more racketeers and tyrants interested largely in living high from the efforts of their subjects, and in maintaining themselves in power. And even a quick look at what we know of human history makes it very plain that keeping those inclined to dictatorship and exploitation from climb-

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ing on the White Horse seems to be well-nigh impossible – for any considerable period.

The Real Disaster

This brings me, finally, to the main point. The justification for referring to the entire U.S.A. as a "disaster area" is not to be found in regional variations and difficulties, nor in aid and handout programs as such. The disaster that has befallen us is the change in attitudes. The decline in willingness to assume responsibility and take the initiative, at individual and family levels; the increasing feeling of helplessness and accompanying eagerness to cast our burdens on the state; the failure to remember – despite the American experience of which the astonishing results are still right before our eyes – that the road to prosperity for all is a climate that encourages the talented, the innovators, the enterprisers, and thus produces a surge of creative energy and drive that stimulates even the laggards to try to hang on to the fast-moving coattails of the hustlers: these are the changes that have brought us to the very brink. And there are few signs on the horizon that we will wake up in time to avoid going over the cliff into full-fledged socialism.

Just a few years ago "ham-and-eggs" Townsend of California failed to get even a respectful hearing when he appeared before a Congressional committee to urge his modest program of help for the old folks. If he were to return to our midst now, he couldn't believe his eyes or ears. ◈

Reprints available, 3¢ each.

IDEAS ON LIBERTY

Persons and Groups

IT IS MAINLY when persons combine into mobs and other militant pressure groups that tolerance and an instinctive respect for others are lost in an illogical and mad attempt to force peaceful individuals and minorities to conform to the viewpoints and prejudices of the herd. When this happens, love and charity and respect for one's fellow man receive a mortal blow.

DEAN RUSSELL, *Equality and Security*

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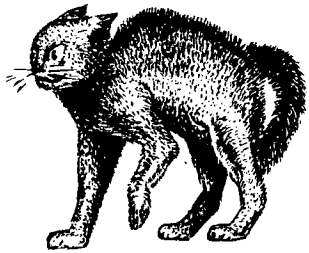
The Rats Are Chasing the Cats



EDMUND A. OPITZ

KARL MARX, a century ago, claimed that he stood Hegel on his head; thus putting the philosopher right side up! Friedrich Nietzsche, at about the same time, preached a "transvaluation of all values." Practice tends to follow theory, and the world in our time is topsy-turvy. Values are inverted; good and evil have changed position; and things are turned inside out.

• *Item.* There used to be honor even among thieves. The pirates of ancient Greece, we are told by Sir Alfred Zimmern, thought little of murder and robbery, "but an unfair division [of the spoils] was the gravest of social offenses." There are modern crimes to match piracy, but let us focus on offenses outside the purview of the law and ask first how honor fares among us.

The theater holds a mirror up to society, and a recent television show undoubtedly reflects a segment of the changing mores. It concerned college student cheating. The classroom cheat really harms himself, of course, although cheating may help him pass a given exam; socially, his actions violate the gentleman's code. When this code is observed generally in a school or a society, the cheat is on his own. He knows he does wrong, and he attempts to suppress, as best he can, his sense of guilt. But when the code of the gentleman is not felt as personally binding, the sanction that replaces it is that "everybody's-doing-it." The television drama dealt with mass

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cheating in a college chemistry exam; the cheaters took pride in their cleverness, whereas the one student holdout felt guilty because he did the right thing. He refused to go along with the crowd and the crowd turned on him in self-righteous scorn. Publicans thankful that they are not like that Pharisee!

• *Item.* Then there are turncoat words. "When I use a word," Humpty Dumpty said, "it means just what I choose it to mean — neither more nor less." Take the word "Liberal." A nineteenth century Liberal strove to free society by placing principled limitations on government. A twentieth century Liberal, on the other hand, works to unfetter government from constitutional, legal, and moral restraints. A government of laws was the earlier ideal; now, a government of men. The accents of Milton and Locke, of Burke, Mill, Gladstone, and Morley were the authentic sounds of Liberalism in the classical sense. The political words and music are totally different today; but the label is the same.

• *Item.* Americans of the nineteenth century believed in the ideal of a society without privileged orders or classes, where government renders an evenhanded justice to all men alike and maintains conditions of equal liberty. Such was the American dream. Now, it goes without saying that this ideal was frequently violated. Men have never lived up to their highest visions; but daily striving for unattainable goals puts the life of men on a plane higher than would be the case otherwise. Moreover, the defections from and violations of a principle do not, in and of themselves, constitute a case against the principle, nor provide adequate grounds for dropping it. The older principle has been dropped, however, and another has taken its place. Where did it come from? From the malpractices! Defections and violations are treated as raw data, and a hypothesis is drawn up to cover this data. The hypothesis is then sold as the latest principle for social organization.

Government, in the theory of Liberalism which was in the ascendent during the nineteenth century, protects individual rights by deterring or punishing acts of aggression. Peaceful persons are free from governmental interventions. But some men who live under regimes erected on this theory will violate its principles. They will seek to turn a political instrument designed to secure liberty and justice for all into one which awards economic advantages to themselves at the expense of

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others, in direct violation of classical theory. The twentieth century response to such wrongs has been to reduce the theory to the low level of the malpractice! Thinkers of our time have whipped up a new theory in which the dispensing of economic privilege is the chief function of the political agency! This is today's "Liberalism" which has violations of person and property as a built-in feature of its operation; it is designed to produce precisely what the previous theory was designed to deter! It refuses to function unless appeased by sacrificial victims, for there's no way to give politically distributed advantage to some without thereby taking advantage of others. This is a symptom of social disintegration.

• *Item.* A given society exists because most men in it feel themselves bound individually by ties of loyalty to the things that society stands for. In every society, however, there are to be found men in whom these ties are weak, able to be loosened still further by combinations of persuasion and cash. Treason is an ancient crime, and a serious one in the eyes of most men, including the traitors themselves. But treason has a new dimension and a new meaning in our time, writes Rebecca West: "Never before has treachery been so sunny and lighthearted, presenting itself not as Judas, conscious of the last suspension from the elder tree, but as some innocent little figure in straw hat and sailor suit." The advent of the atomic age has involved the scientific community in politics, and worse, and Miss West describes the case of a well-known physicist. She observes that "the gaiety with which he faced the suspicion of treachery gives some indication of the curious mental climate in which he and his associates had their being." This is a climate in which the betrayers look down their noses at the parochial loyalties of their fellow citizens, while smugly proclaiming their dedication to a police state system which is the most deeply rooted and far-flung tyranny of all time. All, of course, in the name of Humanity and the Larger Good!

• *Item.* Oddballs, kooks, and freaks regard themselves as normal and the rest of us as queer. Those who live by predation and parasitism think that only squares work. The Yahoos take over; the deviant becomes the norm.

• *Moral.* Only when rodents and felines alike are hallucinated do rats chase cats. But let one rat catch one cat and the spell is broken; a caught cat means a dead rat! ◈

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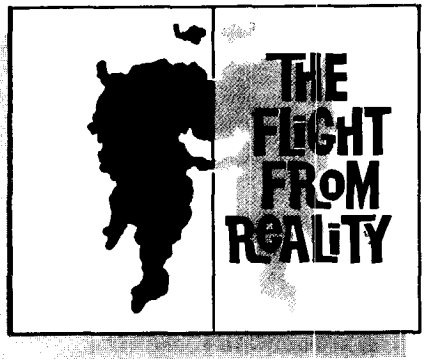

17. From Ideology to Mythology II

CLARENCE B. CARSON

MANY AMERICANS have come under the sway of a mythology which inclines them toward the promotion and acceptance of social reform. This mythology is purveyed as history, consists of what many people think has happened. This history-as-mythology does contain distortions and exaggerations, but it must be kept in mind that it is not a mythology simply because of these. Nor is it rescued from mythology by the number of facts which can be summoned to give it the appearance of validity; these are but grist to its mills. It is a mythology because it stems from a mental construct instead of reality, because it embodies ideologies.

Let us examine first the myth that the rich were getting richer and the poor poorer in the latter part of the nineteenth century. However the myth arose, it was given a dramatic and effective formulation by Henry George. The idea is captured in the juxtaposition of words in the title of his most famous book, *Progress and Poverty*. The central thesis is presented in the following words:

> And, unpleasant as it may be to admit it, it is at last becoming evident that the enormous increase in productive power which has marked the present century and is still going on with accelerating ratio, has no tendency to extirpate poverty or to lighten the burdens of those compelled to toil. It simply widens the gulf between Dives and Lazarus, and makes the struggle for existence more intense. The march of invention has clothed mankind with powers of which a century ago the boldest imagination could not have dreamed. But in factories where labor-saving

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machinery has reached its most wonderful development, little children are at work; wherever the new forces are anything like fully utilized, large classes are maintained by charity or live on the verge of recourse to it; amid the greatest accumulations of wealth, men die of starvation, and puny infants suckle dry breasts; while everywhere the greed of gain, the worship of wealth, shows the force of the fear of want. The promised land flies before us like the mirage.[1]

Postulating the Problem Without Regard for Facts

These assertions can be phrased so as to make them into a problem, and it was as a problem that George, along with many other nineteenth century economists and would-be economists, treated them. They constitute a nice "problem" indeed! How can increasing productivity result in more and more poverty, or greater poverty? The problem can be dramatized by introducing some statistics, though George could not have been familiar with these. American farmers produced approximately 100,000,000 bushels of wheat in 1850; this had risen to 600,000,000 by 1900. They produced 4,590,000 bales of cotton in 1850, and 20,226,000 in 1900. Corn production increased from 590,000,000 bushels in 1850 to 2,662,000,000 in 1900. This represented a considerable increase in productivity per acre generally, too, for land in cultivation had less than tripled.[2] The value of the annual product of manufacturing increased from approximately $2 billion in 1860 to $13 billion in 1900.[3] This represented great increases in consumer goods. In 1859, men's clothing manufacturers turned out a product worth $73,219,765; in 1899, they made a product worth $276,861,607. The worth of the factory produce for women's clothing was 20 times as great in 1899 as it was in 1859. In 1849, flour and grist mill products were valued at approximately $136 million; in 1899, this had increased to about $560 million[4]. These figures represent increases in goods, rather than inflation. In fact, prices declined generally during the period under consideration. One writer notes that if wholesale prices be indicated by the figure 100 for 1860, they had fallen to 95.7 in 1890, and would decrease somewhat more during the next decade.[5]

[1] Henry George, *Progress and Poverty* (New York: Schalkenbach Foundation, 1955), p. 8.

[2] Henry B. Parkes, *The United States of America: A History* (New York: Alfred A. Knopf, 1953), p. 435.

[3] *Ibid.*, p. 395.

[4] Walter W. Jennings, *A History of Economic Progress in the United States* (New York: Thomas Y. Crowell, 1926), pp. 430-33.

[5] *Ibid.*, pp. 483-84.

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It is difficult to see how this greater production and increasing productivity could result in increasing poverty. Of course, population might have increased faster than production (shades of Malthus!), though such resulting poverty could hardly have been attributed to the productivity. But it did not. The population of the United States was 23,191,000 in 1850; by 1900 it was 75,994,000. Population had a little more than tripled; production of staple agricultural products had quadrupled, quintupled, and sextupled, while the production of many manufactured products had increased in a much higher ratio than that. Again, these goods might have been shipped out of the country in return for foreign gold, thus shorting Americans of the goods they produced (though surely foreigners would have had a great bounty of goods). But the value of exports only trebled between 1866 and 1900, having fallen drastically during the Civil War.

Improving the Situation

There is no need, however, to wrestle with phantoms. The poor were not getting poorer generally in America. Such evidence as is available presents quite a different picture. Private production income (all income except that from government sources) increased from about $4 billion in 1859 to $28 billion in 1914, and grew especially fast from 1869 to 1899. Per capita income, in terms of actual money, rose from $134 in 1859 to $185 in 1899. "Considering dollars of constant purchasing power, the increase was from $285 to $488 in the period betwen 1859 and 1914."[6]

It can be objected that no one receives the income per capita, that this is only an average, and that the increase might have only made the rich richer. This does not appear to have been the case. One historian estimates that the proportion of the income of Americans derived from wages and salaries rose relative to that from rent, interest, and so forth.[7] At any rate, "the index of money hourly wages for men in all industries practically doubled between 1860 and 1890. . . . Since the index of commodity prices fell rapidly [that is, commodity prices fell, *not* the index] after 1865, the purchasing power of wages, 'real wages,' often attained a spectacular improvement."[8] Samuel Gompers, head of the American Federation of Labor and one who should have known about such matters,

[6] Gilbert C. Fite and Jim E. Reese, *An Economic History of the United States* (Boston: Houghton Mifflin, 1959), pp. 304-05.

[7] Edward C. Kirkland, *Industry Comes of Age* (New York: Holt, Rinehart and Winston, 1961), p. 402.

[8] *Ibid.*

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was asked this question in 1900: "You would not agree to the statement sometimes made that the conditions of the working men are growing worse and worse?" His answer, "Oh, that is perfectly absurd."[9]

Where did this absurdity spring from? Some may suppose that it was drawn from earlier development, drawn, for example, from the "early stages of the Industrial Revolution" in England. This period has long been the whipping boy of reviewers of the horrors of industrialization. Horrors there may have been, but they could hardly have been the product of industrialization generally.

A competent and thorough economic historian, T. S. Ashton, has lately exorcised this demon from the pantheon of historical mythology. He says, "An historian has written of 'the disasters of the industrial revolution.' If by this he means that the years 1760-1830 were darkened by wars and made cheerless by dearth, no objection can be made to the phrase. But if he means that the technical and economic changes were themselves the source of calamity, the opinion is surely perverse." He points out that there were a great many more people to be fed and clothed at the time. Ireland did not solve this problem and consequently lost much of her population. If England had followed the agricultural pattern of Ireland, he thinks that a like fate would have befallen her. Instead, "she was delivered, not by her rulers, but by those who, seeking no doubt their own narrow ends, had the wit and resource to devise new instruments of production and new methods of administering industry."[10]

[9] Quoted in *ibid.*

The Labor Theory of Value

The roots of the progress-and-poverty notion do not lie in what happened (though the myth was no doubt assisted by interpretations of what happened); they lie rather in ideology. The seeds of the myth were planted, so far as I know, by David Ricardo, with an assist from Thomas Malthus. They were deeply embedded in economics for most of the nineteenth century. Ricardo held that the price of labor must ever and again fall to a level that will maintain workers at a bare subsistence of livelihood. He arrived at this conclusion by a grotesque bit of ideological hocus pocus. According to what is now called classical economics, to which Ricardo subscribed and contributed, commodities have a natural price (or value and a market

[10] T. S. Ashton, *The Industrial Revolution, 1760-1830* (New York: Oxford University Press, A Galaxy Book, 1964), pp. 110-11.

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price. The natural price is determined by the costs of production. The market price is determined by supply and demand. Under conditions of free competition, the market price will tend always toward the natural price.

Ricardo proceeded to apply this theory to the price of labor; that is, he ideologized by applying an abstraction about one phenomenon to an analogous one, ignoring the differences. The cost of production applied to labor came out as the cost of maintaining life. "The natural price of labor is that price which is necessary to enable the laborers, one with another, to subsist and to perpetuate their race, without either increase or diminution."[11] The market price of labor will fluctuate, he held, due to the operation of supply and demand. When wages rise above their natural level, he thought, population will increase because more life can be maintained. That is, the supply of labor will increase, thus driving the market price of labor down to the natural price, or even below it, for a time. In short, the price of labor will tend toward the subsistence level. Malthus maintained, of course, that population increase would inevitably outdistance any increases in production. Thus was the "dismal science" loaded down with its freight of notions about continued and widespread poverty.

Later thinkers did not generally accept the demographic theories of the classicists. Moreover, there was a sloughing off of the philosophic dualism, of which natural price and market price were an extension, perhaps unwarranted. What was accepted by revolutionists and reformers was the existence of poverty. But as thinkers began to think in terms solely of a temporal context in which society was the preeminent reality, some of them began to attribute this poverty to the social system.

Exploitation According to Marx

We are now back to the original problem: How can increasing productivity result in continuing poverty? The problem was, of course, ideological, not actual, but ideologues abounded in the nineteenth century.[12] It is not logical, if the demographic theory is not accepted, that the great increase of goods made available by the use of machines should result in the maintenance of the status quo, or worse, in the material well-being of people. Surely, the goods had to be

[11] David Ricardo, "Principles of Political Economy," *The Age of Reason*, Louis L. Snyder, ed. (Princeton: D. Van Nostrand, 1955), pp. 153-54.

[12] It should be noted that an explanation of the demand for labor was eventually forthcoming that did not entail the dismal conclusions of Ricardo. It was the marginal utility theory.

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consumed for there to be a market, and this should improve the situation, not make it worse. Something must be fundamentally wrong with the system. There must be hoarding, waste, unjust distribution, and so on.

Marx concocted the theory that it was the consequence of the exploitation of the workers by the bourgeoisie. So great was the exploitation, and so essential was production to capitalism, that capitalists must have periodic wars in order to dispose of or destroy the goods that they produced. Henry George thought that the problem arose fundamentally from land "monopoly," and that the private expropriation of the unearned increment on land led to poverty. Thorstein Veblen thought that some considerable part of the bounty made available by productivity was dissipated in conspicuous consumption by the wealthy. At any rate, men wove ideologies, envisioned cataclysms, and conceived of programs of reconstruction to right the wrongs that were supposed to be in the system.

These ideological constructs alone probably would not have been sufficient to attract many people into reform or revolution. Nor would it be fair to the intellectuals involved to suggest that they were simply led astray by ideology. There was poverty, hardship, suffering, and malnutrition. In the latter part of the nineteenth century many children did work in factories. There were times of unemployment in industries; monetary wages did sometimes decline; debtors were hard hit by deflation. Some farmers did lose their farms; tenant farming was on the increase in many areas. Poverty has not disappeared in the twentieth century, nor is it likely that it ever will completely. Of course, this does not stem from increased productivity, nor from the system that makes it possible.

The Muckrakers

But the existence of poverty made it possible to embed the ideological preconceptions in mythology, that is, to describe poverty and implicitly attribute it to the system. This has, of course, been done. Muckrakers did it to great effect in the early twentieth century, but this has been done over the years, and is still being done. Instances of poverty and hardship have been told in lurid detail: pinch-faced children going off to work in factories, fathers with hungry families unemployed, men the victim of technological unemployment, the unsavory character of life in the slums. Some of the titles of books suggest the character of the indictment: Jacob Riis, *How the Other Half Lives* (1890);

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Robert Hunter, *Poverty* (1905); John Spargo, *The Bitter Cry of the Children*; and Edwin Markham, *Children in Bondage*.[13] One example from the stories told in such books should suffice. The one below is from an account of life in the slums in the latter part of the nineteenth century:

> Enough of them everywhere. Suppose we look into one? No. — Cherry Street. Be a little careful please! The hall is dark and you might stumble over the children pitching pennies back there. Not that it would hurt them; kicks and cuffs are their daily diet. They have little else. Here where the hall turns and dives into utter darkness is a step, and another, another. A flight of stairs. You can feel your way, if you cannot see it. Close? Yes! What would you have? All the fresh air that ever enters these stairs comes from the hall-door that is forever slamming, and from the windows of dark bedrooms that in turn receive from the stairs their sole supply of the elements God meant to be free, but man deals out with such niggardly hand. That was a woman filling her pail by the hydrant you just bumped against. The sinks are in the hallway, that all the tenants may have access — and all be poisoned alike by their summer stenches. . . . Here is a door. Listen! That short hacking cough, that tiny, helpless wail — what do they mean? They mean that the soiled bow of white you saw on the door downstairs will have another story to tell — Oh! a sadly familiar story — before the day is at an end. The child is dying with measles. With half a chance it might have lived; but it had none. That dark bedroom killed it.[14]

Government Intervention

The origins of these conditions were, of course, "the system." Riis said, "We know now that there is no way out; that the 'system' that was the evil offspring of public neglect and private greed has come to stay, a storm-centre forever of our civilization."[15] That is, tenements are a fixture; the only hope lay in amelioration. Among the things that Riis suggested might be done was that the "state may have to bring down the rents that cause the crowding, by assuming the right to regulate them as it regulates the fares on the elevated roads."[16] The circle is completed with these suggestions: from ideology to mythology to reform. These stories of conditions are usually told in such a way as to suggest that only by government intervention can the situation be righted. If the wages of the poor are held down to the

[13] See Louis Filler, *Crusaders for American Liberalism* (Yellow Springs, Ohio: Antioch Press, 1950), pp. 268-71.

[14] Jacob A. Riis, *How the Other Half Lives* (New York: Sagamore Press, 1957), pp. 33-34.

[15] *Ibid.*, p. 2.

[16] *Ibid.*, p. 217.

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subsistence level continually, there would be no way for them to get out of the slums and tenements.

Once government intervention got under way on a large scale, the character of the myth began to change. Now articles, stories, monographs, and textbooks began to present bright pictures of life in America. Happy children now play in uncluttered parks; families live in low-rent housing; farmers use bright new equipment; and workers are joyously bargaining collectively. The following are from captions under upbeat pictures and drawings in a recent textbook. They ascribe this fine state of things to government:

> Senior citizens like these in Sun City, Arizona, are helped by their federal social security payments to live comfortably after retirement and to enjoy a variety of pleasure-time activities.
>
> Federal grants of money assist cities in replacing slums with satisfactory low-rental dwelling units.
>
> Reciprocal trade agreements with other countries aid in bringing loaded cargo ships to our ports.
>
> Workmen have gained many benefits and services since the day in 1900 [caption to an unhappy sketch] when this luncheon counter exposed to dust and contamination, was used to provide a hot meal in the center of a machine shop.
>
> Wheeler Dam, with its eight outdoor generators, is one of many dams built by TVA to assist in flood control and provide cheap hydroelectric power for industries and residents in the Tennessee Valley.
>
> With TVA's help, Tennessee farmers have learned the importance of fertilizing their soil [something that was once believed to have been taught to the early settlers in America by Indians]. With low-cost fertilizers produced by TVA plants, the soil has been built up and now yields profitable crops.[17]

There is still poverty, of course, according to the prevailing ethos, but it, too, has changed in character. It is "hard core" poverty, a variety which may be expected to yield ground before political ministrations, but only after an extended war upon it.

The poverty myth is only one of a large number of myths that make up the mythology. Space does not permit going into others in such detail. However, it is important to provide another example or so to demonstrate the process of mythologizing more adequately.

Competitive "Warfare"

One of the most pernicious of myths is the one that equates competition with war. The following may serve as a generic assertion of the myth: "Competition is of the nature of warfare; in warfare the

[17] Lawrence V. Roth, *et. al., Living in Today's World* (River Forest, Illinois: Laidlaw, 1964, 2nd edition), pp. 267-76.

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victory is with the strongest. . . ."[18] The roots of this myth are traceable to a variety of ideological formulations: to the Malthusian concept of the pressure of population on the means of subsistence, to the Marxian notion of the class struggle, to the Darwinian idea of the struggle for survival and survival of the fittest, among others. The description of the rise of the bourgeoisie by Marx and Engels encapsulated this notion of competition-as-war in the revolutionary framework of their historicist eschatology; that is, they thrust it into the historical stream so that it could be mythologized as history. They said, "The bourgeoisie finds itself involved in a constant battle. At first with the aristocracy; later on, with those portions of the bourgeoisie itself, whose interests have become antagonistic to the progress of industry; at all times with the bourgeoisie of foreign countries."[19]

The next step, of course, was to find an actual instance of such conflict. J. P. Morgan and associates and Jim Fisk supplied the instance which became the classic example in books on American history. It occurred in connection with the contest over control of the Albany & Susquehanna Railroad. The following is a summary of the battle that ensued:

> The combat took ever new and fantastic turns. Feeling ran high. To end the deadlock, the Ramsey-Morgan party finally despatched a force of armed men, estimated by the press to be between 150 and 450 in number. . . . At the same time, an equally formidable mixed body of Erie's Bowery toughs and sheriff's deputies departed for battle from Binghamton behind their own engine. Outside of a long tunnel, fifteen miles beyond Binghamton, the enemy locomotives, whistling and tooting their bells wildly, breathing fire and fury, met in head-on collision. . . .
>
> The warriors of both armies had all jumped off as the two steam chariots collided, and yelling defiance had fallen upon each other with clubs, spades, axes and firearms. But the Ramsey-Morgan thugs were the better armed, and the Erie soldiers soon had the worst of it. Retreating as fast as they could, tearing up tracks and destroying trestles, they went back toward Binghamton, where they barricaded themselves anew and called regiments of the National Guard to their rescue.[20]

Such an occurrence is no more a

[18] Washington Gladden, *Applied Christianity* (Boston: Houghton Mifflin, 1886), pp. 31-32. His particular reference was to the "conflict" between capital and labor.

[19] Karl Marx and Frederick Engels, *The Communist Manifesto* in Eugen Weber, ed., *The Western Tradition* (Boston: Heath, 1959), p. 611.

[20] Matthew Josephson, *The Robber Barons* (New York: Harcourt, Brace, 1934), p. 139.

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natural consequence of business competition than is rape of relations between the sexes, and probably less common, but it provided excellent propaganda for those under the sway of ideology. Writers with good imaginations could, and did, take facts, surmises, and interpretations about the behavior of businessmen and weave them into a picture of jungle life, red in tooth and claw. Henry Demarest Lloyd, perhaps the earliest of the muckrakers, writing in the latter part of the nineteenth century, declared: "We are still, part, as Emerson says, in the quadruped state. Our industry is a fight of every man for himself. The prize we give the fittest is monopoly of the necessaries of life, and we leave these winners of the powers of life and death to wield them over us by the same 'self-interest' with which they took them from us."[21]

Matthew Josephson probably did the most thorough job of mythologizing competition-as-war in *The Robber Barons*. In this book, businessmen were likened to medieval barons, and the story is told in a framework and with the terminology drawn from medieval warfare. Note the martial language used to describe the actions of western railroad builders in the following:

> Power such as they had foreseen but dimly came to the hands of the *empire-builders*. . . . By *seizing* one valley, or the passageway to it, they brought an adjacent one into their effective *control*, as the *medieval barons* had done of old. . . . Their network of branch lines was spread throughout the Pacific Slope, through the payment of proper *ransoms* by the communities which required such outlets as a matter of *life and death*. But more ingenious, the new *barons* who held the only overland route to the Pacific connected these lines with water-front facilities, which they, upon a large scale, *wrested* from the coast cities by the threat of extinction.[22]

Similar terminology was used to describe the behavior of the oil men:

> Tomorrow all the population of the Oil Regions . . . might rise against the South Improvement Company ring in a grotesque uproar. . . . But Rockefeller and his comrades had stolen a *long march* on their *opponents;* their *tactics* shaped themselves already as those of the giant industrialists of the future *conquering* the pigmies. *Entrenched* at the 'narrows' of the *mighty* river of petroleum they could no more be *dislodged* than those other barons who had formerly planted their strong castles along the banks of the Rhine could be dislodged by unarmed peasants and burghers.[23]

[21] Henry D. Lloyd, *Wealth against Commonwealth*, Charles C. Baldwin, ed. (Washington: National Home Library Foundation, 1936), p. 330.

[22] Josephson, *op. cit.*, p. 88. Italics mine.

[23] *Ibid.*, p. 120. Italics mine.

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This myth went into the warp and woof of history as many Americans were to understand it. Here is an example of it in a recent textbook.

> Rockefeller flourished in an era of completely free enterprise. So-called piratical practices were employed by 'corsairs of finance,' and business ethics were distressingly low. Rockefeller, operating 'just to the windward of the law,' pursued a policy of rule or ruin. . . .
>
> The Standard Oil Company was undeniably heartless, but its rivals were no less so in this age of dog-eat-dog competition. A kind of social-economic Darwinism seemingly prevailed in the jungle world of big business, where, in certain areas, only the fittest survived. . . .[24]

The myth of competition-as-war has served over the years as the major propellant of government intervention, from antitrust legislation to fair trade laws to inspection acts to a great variety of other regulatory measures. It has even served as the basis of the interpretation of the coming of wars among nations as a result of trade competition. In short, the myth serves to promote reform.

[24] Thomas A. Bailey, *The American Pageant* (Boston: D. C. Heath, 1961, 2nd edition), p. 532. For a soberer evaluation of these men and events, see John Chamberlain, *The Enterprising Americans* (New York: Harper & Row, 1961-63), ch. 8.

"Privileges" to Business

One other myth will be examined with some little care. The examination of this myth is particularly instructive as to exaggerations and distortions involved in the making and purveying of myths. This myth has to do with the privileged position of business *vis à vis* government, with how businessmen were supposed to have been the beneficiaries of government largess, with how a plutocracy used government for its own ends, particularly in the late years of the nineteenth and the early years of the twentieth centuries. According to Vernon Louis Parrington, America was spread out upon a table like a great barbecue:

> Congress had rich gifts to bestow — in lands, tariffs, subsidies, favors of all sorts; and when influential citizens made their wishes known to the reigning statesmen the sympathetic politicians were quick to turn the government into the fairy godmother the voters wanted it to be.[25]

Lincoln Steffens proclaimed that businessmen corrupted government:

> Another such conceit of our egotism is that which deplores our politics and lauds our business. This is the wail of the typical American citizen. Now, the typical American citizen is the business man. The typical business man is a bad citizen; he is busy.

[25] Parrington, *op. cit.*, p. 23.

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If he is a "big business man" and very busy, he does not neglect, he is busy with politics. . . . I found him buying boodlers in St. Louis, defending grafters in Minneapolis, originating corruption in Pittsburgh, sharing with bosses in Philadelphia, deploring reform in Chicago, and beating good government with corruption funds in New York. He is a self-righteous fraud, this big business man.[26]

"Grants" to Railroads

The most common example of this sort of thing cited in histories is the one about government grants and subsidies for the building of the railroads. Now there were land grants from the United States government (and indirectly, or directly, from state governments) made for the building of some railroads, and there were loans made also. However, the extent and character of this has been greatly exaggerated and distorted generally. Some years ago, Colonel Robert S. Henry examined the treatment of these loans and grants in 37 American history textbooks. A few of the books gave an approximately correct description or account of the land granted. But, for example, "eight others show the area granted . . . as anywhere from nearly one-fifth more than it was, up to about four times the correct area. . . . Others make neither arithmetical nor graphic presentation of the area granted, but rely entirely on adjectives. In most of the books, in fact, such adjectives as 'huge,' 'vast,' 'enormous,' 'staggering,' and 'breath-taking' are parts of the treatment of the subject of area. . . ." He points out that less than 8 per cent of the railroad mileage in the United States was built by land grant aid from the United States government. "The fact that more than 92 per cent of all the railroad mileage in the United States was built without the aid of an acre of Federal land grants is nowhere brought out in the texts examined. . . ."

A similar exaggeration was made in the texts regarding loans. The loans made were to be repaid with interest. Virtually all of the principal was eventually repaid, along with a large sum of interest. "Thirty-four of the thirty-seven texts examined mention the bond aid to these Pacific roads. In one-third of the works, it is not made clear whether the financial assistance referred to was a loan or a gift. Three describe the aid definitely as gifts – which they were not. Twenty-one refer to the transactions as loans, but only four mention the fact that the loans were repaid, while three make the posi-

[26] Lincoln Steffens, *The Shame of the Cities* (New York: Young People's Missionary Movement, 1904), p. 5.

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tively erroneous statement that the loans were never repaid."[27]

Such is the fabric of exaggeration, distortion, misstatement, error, and ignorance by which a myth has been bolstered and purveyed. This myth early served as a basis for demands for governmental regulation of the railroads. It may even have added to the appeal of the perpetual socialist agitation in the late nineteenth and early twentieth centuries for government ownership of the roads. It certainly contributed to the "image"of the railroads as villains.

The Growth of Myths

The above are only a sampling of the myths that have been and are given currency. There is the myth of the class struggle read into American history, the myth of the "people" as an originative force, the myth of the connection between increasing government intervention and progress, the myth of the conservative businessman who is opposed to change and progress, the myth of the spontaneous rise of labor unions in response to oppression, the myth of the role of the environment in perpetuating poverty, the myth about the United States being a democracy, and so on.

There is even an extensive myth to the effect that older American beliefs were myths: for example, the "myth of the self-made man," the "myth" that the budget should be balanced, the "myth" that saving and frugality are economically useful, and the "myth" that private initiative and free enterprise account for American economic productiveness. In the 1930's, Thurman Arnold published a book called *The Folklore of Capitalism* in which he castigated the beliefs of Americans as articles of faith, superstitions, myths, and folklore. By 1956, the book had been through fourteen printings! Myths have been got up which inhibit the exploration and exposure of the mythology of reform: the myth of the "extreme right," the myth of the Red Scare, the myth of McCarthyism, and so on.

Platform for Reform

In short, an ethos has been developed, spread, and more or less accepted which promotes continuous reform by the use of government power. This mental framework has become the angle from which millions of Americans see things. They have imbibed it by way of a mythology which they have supposed was history. A language was developed, along with

[27] Robert S. Henry, "The Railroad Land Grant Legend in American History," *Issues in American Economic History*, Gerald D. Nash, ed. (Boston: D. C. Heath, 1964), pp. 324-25. The article was originally published in 1945.

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the mythology, which has been used to evoke it to promote reform measures. The language consists of such terms and phrases as "labor," "agriculture," "privileged," "underprivileged," "monopoly," "oligopoly," "economic royalist" "robber barons," "profiteers," "hoarders," "black marketeers," "vested interests," "extremists," "unearned increment," "social surplus," "general welfare," "malefactors of great wealth," "absentee ownership," "conspicuous consumption," "right winger," "neanderthals," "sweat shop," "rentlord," "speculator," "anti-intellectual," "witch hunter," and so on. The terms used change somewhat over the years, depending upon the standing of reform among the American people and what is conceived to be the immediate danger to the continuation of reconstruction.

Finally, it should be noted that a mythology is much more difficult to deal with than an ideology, and a much more effective way to draw people generally under its sway. An ideology consists of ideas; it can be examined; the ideas can be refuted if they are false. But when an ideology has been embedded in a mythology, and this has become widely accepted, many people will not even know that their beliefs are rooted in ideologies. They think that what they believe is simply the way things are, or have been. That government action can produce prosperity, for instance, will not be thought of as rooted in ideology but as something that has historically happened. Moreover, it is much easier to manufacture myths than it is to give a valid historical account; one needs only to examine such evidence as seems to prove his point, read his view of things into the account, and make it come out according to the mythological or ideological version one starts with. There is also the near certainty that the process of exploding myths and giving more accurate and valid historical accounts will proceed much more slowly than mythmaking, be much less dramatic, and probably occur after the object for which the myth existed has been obtained.

At any rate, a mythology has been formed and spread in America. The attitudes and beliefs of many Americans have been shaped in conformity with it. The minds of men have been remade. It is this mythology that promotes the continuous reform efforts. It is this that has catapulted us into the Age of Meliorism. ◈

The next article in this series will treat of "The Origins of Reform Methods."

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Sacrilege and Cupidity

A PLEA FOR PERSPECTIVE

M. E. BRADFORD

THE SOCIAL GOSPEL is old hat. Its shiny newness has long since worn away; and even in theological circles it has experienced an embarrassing interrogation. But it is by no means dead. After apologizing for the doctrinal excesses of some of its early champions, and after developing a new and conciliatory idiom for use on the theological and political conservative, it now sits comfortably in the councils of Christendom, its essentially political and utopian character effectively masked. Television programs and books have been recently devoted to its resurgent influence. And, in fact, that influence has never been diminished. All we can say is that, for a time, it was checked. The heterodox order of priorities it represents has long been a pulpit commonplace. And it is with reference to that order of priorities that I here propose to examine and define the origin of social gospel as a political force. For it is this politics *cum* faith that presents American conservatism with its most serious challenge.

It is by no means easy to debate with men who insist they speak for God. American liberalism (whose theological voice the social gospel is) has always had a plentiful supply of adherents who speak for God; and they have, I am sorry to admit, had no monopoly in this business of sacrilege; American politicians of various persuasions have claimed a pipeline to the deity. By now American conservatives should have learned that this is a degrading strategy – and that the very nature of their position makes it difficult, if not impossible, for them to "play the game" this way. And what is more important, they should have learned how to answer the latter-day bogus "thus saith the Lord," on its own theological ground.

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The Rhetoric of Love

The backbone of the popular brand of the social gospel is what I call "the rhetoric of love." Its argument goes something like this: "God is love; God has given us (we, the liberals) a clear definition of what he means by love; those who oppose what we urge are the enemies of love." No normal American will admit that he is against love (or deficient in it); and the American conservative, when charged with such an enormity will "crawfish," "hedge," or perhaps try to "outlove" his opponent. In brief, he will do anything but insist that there is such a thing as an excess or misplacement of love. He knows in his bones that man is indeed prone to excess in all things (including love); and a reluctance to indulge excessive impulses is part of what we mean by conservative. But he is unwilling to examine political and philosophical sentimentalism (by definition, expression of emotion out of proportion to its occasion) in its theological dimension. And he must do so if he is not to fall victim to the rhetoric of love.

The good old theological name for this excessive or misdirected love is cupidity; it was the original sin and has, since Adam put the love of Eve before the love of God, been among the most frequently repeated. And it is the error into which good men and true fall most readily. Assuredly, it is the sin into which the social gospel should lead us through the rhetoric of love. For this rhetoric makes no distinction among the objects of love. It sees all objects as equally worthy and thus abolishes all order of priorities in our obligations.

For example: American grants of aid to free nations may at times prove wise, necessary, or even successful. But the conservative maintains that the virtue of any foreign aid program is conditioned by its effect on our economic and military posture. The rhetoric of love may call for greater and greater largess in the name of humanity; but the theologically-grounded answer to its insistence is that our obligations to preserve our own economy, and with it our capacity to assist and protect those nations which depend upon our strength, is greater than our obligation to relieve completely any single nation in its distress. When compassion outreaches judgment, cupidity is the result. And the political voice of the social gospel is short on judgment.

It is with reference to a form of the doctrine of cupidity that we may define excessive liberty as license, excessive tolerance as indifference, excessive or forced equality as anarchy. In its name

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we may, in the face of the rhetoric of love, reject sociological, sentimental juggling of the letter and intent of the law done in the name of "civil rights"; impious "nonviolence" in the streets done in the name of brotherhood; and surrender of national sovereignty called for in the name of world unity. For it is cupidity to put even the honest demands of minority groups for redress of grievances they "suffer" before the maintenance of the integrity of a constitutional system or a hard-won and slowly evolved social order. And it is even more of an inversion to surrender national sovereignty in the name of world peace when only our sovereign strength preserves that peace.

Love Some Persons or Things More than Others

None of the answer to the social gospel is very difficult. Most of it may be had out of Aristotle, John Adams, Calhoun, or Burke. But the best reply to the rhetoric of love is a general theological reply. We must love some things, some men, more than others. The love of God and of the general well-being of a number of men often precludes the perfect love of individual men. Our obligation to our own family or "clan" is greater than our obligation to the faceless multitude. As Burke said, "No cold relation is a zealous citizen. We begin our public affections in our families." Our obligations move outward in a circle from the near to the remote. For if we undermine the ground of our own being, our integrity and capacity to act responsibly in our own proper affairs, we are of no use to any man.

Thus replied to, the social gospel – which I suspect grew out of the clergyman's deep-seated distrust of providence and the "otherworldly" promise of his own faith – returns to its place; and then the pulpit ceases to be a political tool of a "this-worldly" eschatology based on a denial of the transcendental character of the faith it should draw upon for support. Thus answered, the sacrilegious mask of the rhetoric of love can be torn from the face of the quasi-totalitarian liberal will-to-power, and the conservative can return the dialogue of American politics to a ground where the odds are in his favor. For without the advantage of his mask, the politico *cum* prophet is merely the aggressor in a power struggle, not the "agent of the Lord." And even though they may differ about the merit of various programs for achieving the common good, Americans and other civilized Westerners do not like a bully – especially a sanctimonious bully! ◈

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The Fallacy of FOREIGN AID

HENRY HAZLITT

THE ADVOCATES of foreign aid believe that it helps not only the country that gets it but the country that gives it. They believe, therefore, that it promotes world-wide "economic growth." They are mistaken in all these assumptions.

I should make clear at the beginning that when I refer here to foreign aid I mean government-to-government aid. Still more specifically, I mean government-to-government "economic" aid. I am not considering here intergovernmental military aid extended either in wartime or peacetime. The justification of the latter will depend, in each case, only partly on economic considerations, and mainly on a complex set of political and military factors.

Mr. Hazlitt is the well-known economic and financial analyst, columnist, lecturer, and author of numerous books.

It ought to be clear, to begin with, that foreign aid retards the economic growth and the capital development of the country that grants it. If it is fully paid for out of taxes at the time it is granted, it puts an additional tax burden on industry and reduces incentives at the same time as it takes funds that would otherwise have gone into new domestic investment. If it is not fully paid for, but financed out of budget deficits, it brings all the evils of inflation. It leads to rising prices and costs. It leads to deficits in the balance of payments, to a loss of gold, and to loss of confidence in the soundness of the currency unit. In either case foreign aid must put back the donor country's capital development.

All the consequences just described have occurred in the

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United States. In the last twenty years American foreign aid has reached the stupendous total of $115 billion. As the public debt has increased from $259 billion at the end of 1945 to $321 billion now, this means that $62 billion of this foreign aid was in effect paid for by borrowing and by inflating the currency, and $53 billion by added taxation. Without the foreign-aid handouts we could have avoided both the inflation and the added taxation. We could have avoided both the cumulative deficit of $27 billion in the balance of payments and the loss of $9 billion gold in the last eight years. Today, American "liberals" are talking about all the billions we ought or will need to spend to extend and improve our roads and highways, to improve and increase our housing and to rehabilitate our blighted cities, to combat air pollution and water pollution, to bring more water to the cities and to turn salt water into fresh. The $115 billion that went into foreign aid would have covered practically all the improvements in this direction that most of these "liberals" are demanding.

The Pump-Priming Argument

We sometimes hear it said by American advocates of foreign aid (and we very frequently hear it said by many of the foreign recipients of our aid, and *always* by the communists) that the U.S. has got great economic advantages out of its foreign aid program. We desperately need "outlets" and "new markets" for our "surplus." We must give part of our goods away, or give foreigners the dollars with which to buy them, to keep our factories going and to maintain full employment. This program was even necessary, according to the communists, to "postpone" the "inevitable collapse" of capitalism.

It should not be necessary to point out that this whole argument is unmitigated nonsense. If it were true that we could create prosperity and full employment by making goods to give away, then we would not have to give them to foreign countries. We could accomplish the same result by making the goods to dump into the sea. Or our government could give the money or the goods to our own poor.

It ought to be clear even to the feeblest intelligence that nobody can get rich by giving his goods away or making more goods to give away. What seems to confuse some otherwise clearheaded people when this proposition is applied to a nation rather than an individual is that it is possible for particular firms and persons within the nation to profit by such

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a transaction at the expense of the rest. The firms, for example, that are engaged in making the exported foreign-aid commodities are paid for them by the aid-receiving country or by the U.S. government. But the latter gets the money, in turn, from the American taxpayers. The taxpayers are poorer by the amount taken. If they had been allowed to keep it, they would have used it themselves to buy the goods they wanted. True, these would not have been precisely the *same* goods as those that were made and exported through the foreign-aid program. But they would have supplied just as much employment. And Americans, rather than foreigners, would have got what was made by this employment.

Buying Friends

"Yes," it may be conceded, "all of this may be true; but let us not look at the matter so selfishly, or at least not so nearsightedly. Think of the great blessings that we have brought to the aid-receiving countries, and think of the long-run political and other intangible gains to the United States. We have prevented the aid-receiving countries from going communist, and the continuance of our aid is necessary to continue to keep them from going communist. We have made the recipient countries our grateful allies and friends, and the continuance of our foreign aid is necessary to continue to keep them our grateful allies and friends."

First, let us look at these alleged intangible gains to the United States. We are here admittedly in the realm of opinion, in the realm of might-have-beens and might-be's, where proof either way is hardly possible. But there is no convincing evidence that any of our aid-recipients that have *not* gone communist *would* have done so if they had not got our economic aid. Communist Party membership in aid-receiving France and Italy did not fall off; in fact it has shown a tendency to increase in both countries with increasing prosperity. And Cuba, the one country in the Western Hemisphere that *has* gone communist, did so in 1959 in spite of having shared freely in our foreign aid in the preceding twelve years. Cuba had been favored by us, in fact, beyond all other countries in sugar import quotas and other indirect forms of economic help.

As for gaining grateful allies or even friends, there is no evidence that our $11 billion of lend-lease to Russia in World War II endeared us to the Russian leaders; that our aid to Poland, Yugoslavia, Indonesia, and Egypt

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turned Gomulka, Tito, Sukarno, or Nasser into dependable allies; that it has made Gaullist France, or India, Mexico, Chile, Laos, Cambodia, Bolivia, Ghana, Panama, Algeria, and scores of other nations that have got our aid, into our grateful friends.

On the other hand, there *is* good reason to suspect that our aid has often had the opposite effect. Countries have found that whenever they look as if they are in danger of going communist they get *more* American aid. This veiled threat becomes a recognized way of extorting more aid. And the leaders of governments getting our aid find it necessary to insult and denounce the United States to prove to their own followers that they are "independent" and not the "puppets" of "American imperialism." It is nearly always the U. S. embassies and information offices that periodically get rocks thrown through their windows, not the embassies of countries that have never offered any aid.

Humanitarian Motives

"Still," it may be (and is) objected, "to mention any of these things is to take a shortsighted and selfish point of view. We should give foreign aid for purely humanitarian reasons. This will enable the poor nations to conquer their poverty, which they cannot do without our help. And when they have done so, we will have the reward of the charitable deed itself. Whether the recipients are grateful to us or not, our generosity will redound in the long run to our own self-interest. A world half rich and half poor is an unsafe world; it breeds envy, hatred, and war. A fully prosperous world is a world of peace and good will. Rich nations are obviously better customers than poor nations. As the underdeveloped nations develop, American foreign trade and prosperity must also increase."

The final part of this argument is beyond dispute. It is to America's long-run interest that all other countries should be rich and productive, good customers, and good sources of supply. What is wrong with the argument is the assumption that government-to-government aid is the way to bring about this desired consummation.

The quickest and surest way to production, prosperity, and economic growth is through private enterprise. The best way for governments to encourage private enterprise is to establish justice, to enforce contracts, to insure domestic peace and tranquillity, to protect private property, and to secure the blessings of liberty, in-

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cluding economic liberty – which means to stop putting obstacles in the way of private enterprise. If every man is free to earn and to keep the fruits of his labor, his incentives to work and to save, to invent and invest, to launch new ventures, to try to build a better mousetrap than his neighbor, will be maximized. The effort of each will bring the prosperity of all.

Under such a system more and more citizens will acquire the capital to lend and invest, and will have the maximum inducement to lend and invest at home. Very quickly more and more foreigners will also notice the investment opportunities in (let us call it) Libertania, and their money will come in to speed its development. They will place their funds where they promise to earn the highest returns consonant with safety. This means that the funds will go, if the investments are wisely chosen, where they are most productive. They will go where they will produce the goods and services most wanted by productive Libertanians or by foreigners. In the latter case they will produce the maximum exports, or "foreign exchange," either to pay off the investment or to pay for the import of the foreign goods most needed.

The surest way for a poor nation to *stay* poor, on the other hand, is to harass, hobble, and straitjacket private enterprise or to discourage or destroy it by subsidized government competition, oppressive taxation, or outright expropriation.

Socialism versus Capitalism

Now government-to-government aid rests on socialistic assumptions and promotes socialism and stagnation, whereas private foreign investment rests on capitalistic assumptions and promotes private enterprise and maximum economic growth.

The egalitarian and socialistic assumptions underlying government-to-government aid are clear. Its main assumption is that the quickest way to "social" justice and progress is to take from the rich and give to the poor, to seize from Peter and give to Paul. The donor government seizes the aid money from its supposedly overrich taxpayers; it gives it to the receiving nation on the assumption that the latter "needs" the money – not on the assumption that it will make the most productive use of the money.

From the very beginning government-to-government aid has been on the horns of this dilemma. If on the one hand it is made without conditions, the funds are squandered and dissipated and

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fail to accomplish their purpose. But if the donor government attempts to impose conditions, its attempt is immediately resented. It is called "interfering in the internal affairs" of the recipient nation, which demands "aid without strings."

In the twenty expensive years that the foreign aid program has been in effect, American officials have swung uncertainly from one horn of this dilemma to the other – imposing conditions, dropping them when criticized, silently watching the aid funds being grossly misused, then trying to impose conditions again. But now American officials seem on the verge of following the worst possible policy – that of imposing conditions, but exactly the wrong conditions.

President Johnson has announced that our future foreign aid will go to those countries "willing not only to talk about basic social change but who will act immediately on these reforms." But what our aid officials appear to have in mind by "basic social change" is to ask of the countries that receive our grants, not that they give guarantees of the security of property, the integrity of their currencies, abstention from crippling government controls, and encouragement to free markets and free enterprise, but that they move in the direction of government planning, the paternalistic state, the redistribution of land, and other share-the-wealth schemes.

Land Reform Measures

The so-called "land reform" that our government officials are demanding has meant and still means destroying existing large-scale agricultural enterprises, dividing land into plots too small for efficient or economic cultivation, turning them over to untried managers, undermining the principle of private property, and opening a Pandora's box of still more radical demands.

Socialism and welfare programs lead to huge chronic government deficits and runaway inflation. This is what has happened in Latin America. In the last ten years the currency of the Argentine has lost 92 per cent of its purchasing power; the currency of Chile has lost 94 per cent; of Bolivia 95 per cent; of Brazil 96 per cent. The practical consequence of this is the expropriation of wealth on a tremendous scale.

Yet, a United States Senator, recently demanding "land reform" and ignoring this history, made it a charge against the rich in these aid-receiving nations that they do not "invest in their own economies" but place their funds

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abroad. What he failed to ask himself is *why* the nationals of some of these countries have been sending their funds abroad or putting them in numbered accounts in Switzerland. In most cases, he would have found that it was not only because no attractive private investment opportunities were open to them at home (because of burdensome controls, oppressive taxes, or government competition), but because they feared the wiping out of their savings by rapid depreciation of their home currencies, or even the outright confiscation of their visible wealth.

The Benefits?

In the last twenty years foreign aid has made American taxpayers $115 billion poorer, but it has not made the recipients anything like that much richer. How much good has it actually done them? The question is difficult to answer in quantitative terms, because foreign aid has often been a relatively minor factor out of the scores of factors affecting their economies.

But the advocates of foreign aid have had no trouble in giving glib and confident answers to the question. Where, as in Western Europe and Japan, our aid has been followed by dramatic recovery, the recovery has been attributed wholly to the aid (though just as dramatic recoveries occurred in war-torn nations after World War I when there was no aid program). But where our aid has not been followed by recovery, or where recipient nations find themselves in even deeper economic crises than they were before our aid began, the aid advocates have simply said that obviously our aid was not "adequate." This argument is being used very widely today to urge us to plunge into an even more colossal aid program.

A careful country-by-country study, however, shows pretty clearly that wherever a country in recent years (such as West Germany) has reformed its currency, kept it sound, and adhered in the main to the principles of free enterprise, it has enjoyed a miraculous recovery and growth. But where a country (such as India) has chosen government planning, has adopted grandiose socialistic "five-year plans" arbitrarily directing production into the wrong lines, has expanded its currency but kept it overvalued through exchange controls, and has put all sorts of restrictions and harassments in the way of private enterprise and private initiative, it has sunk into chronic crises or famine in spite of billions of dollars in generous foreign aid.

As Charles B. Shuman, presi-

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dent of the American Farm Bureau Federation, recently put it, the one common denominator in virtually all the hungry nations has been "their devotion to a socialist political-economic system — a government-managed economy. The world does not need to starve if the underdeveloped areas can be induced to accept a market price system, the incentive method of capital formation — competitive capitalism."

Our conclusion is that government-to-government foreign aid, as it exists at present, is a deterrent, not a spur, to world economic prosperity, and even to the economic progress of the underdeveloped recipients themselves.

Wasteful Projects

This is true partly because of the very nature of foreign aid. By providing easy outside help without cost, it often fails to encourage self-help and responsibility. Moreover, government-to-government economic help almost inevitably goes to *government* projects, which frequently mean socialized projects, such as grandiose government steel mills or power dams.

It is true that there are many economic services, such as streets and roads, water supply, harbors, and sanitary measures, that are usually undertaken by governments even in the most "capitalistic" countries, yet which form an essential basis and part of the process and structure of all production. Foreign as well as domestic funds may legitimately go to governments for such purposes. Yet intergovernmental aid is likely to channel a disproportionate amount of funds even into such projects. If governments had to depend more on domestic or foreign *private investors* for these funds, less extravagant projects of this nature would be embarked upon. Private investors, for example, might lend more freely for toll roads and bridges, and similar projects that promised to be self-liquidating, than for those that yielded no monetary return. As a result, the recipient government's planners would make more effort to put their roads and bridges where the prospective use and traffic would prove heavy enough to justify the outlay.

In addition to the conditions in the very nature of government-to-government aid that make it on net balance a deterrent rather than a spur to private enterprise and higher production, there is the recent disturbing trend in the attitude of American aid officials, who have begun to insist that underdeveloped nations cannot get more aid unless they adopt "land reform," planning, and other so-

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cialistic measures—the very measures that tend to retard economic recovery.

Conditions for Private Investment

If our aid program were now tapered off, and the underdeveloped nations had to seek foreign private capital for their more rapid development, the case would be far different. Foreign private investors would want to see quite different reforms. They would want assurance (perhaps in some cases even guarantees) against nationalization or expropriation, against government-owned competition, against discriminatory laws, against price controls, against burdensome social security legislation, against import license difficulties on essential materials, against currency exchange restrictions, against oppressive taxes, and against a constantly depreciating currency. They would probably also want guarantees that they could always repatriate their capital and profits.

Foreign private investors would not *demand* the active cooperation or an enthusiastic welcome by the government of the host country, but this would certainly influence their decision considerably. In fact, foreign private investors, unless the would-be borrowers came to them, would not *demand* any conditions at all. They would place their funds where the deterrents and discouragements were fewest and the opportunities most inviting.

What the anticapitalistic mentality seems incapable of understanding is that the very steps necessary to create the most attractive climate for *foreign* investment would also create the most attractive climate for *domestic* investment. The nationals of an underdeveloped country, instead of sending their money abroad for better returns or sheer safekeeping, would start investing it in enterprises at home. And this domestic investment and reinvestment would begin to make foreign investment less and less urgent.

It is unlikely that reforms in the direction of free enterprise will be made by most socialistic and control-minded countries as long as they can get intergovernmental aid without making these reforms. So a tapering off or phasing out of the American aid program will probably be necessary before a private foreign investment program is launched in sufficient volume.

A More Hopeful Alternative

I should like to renew here a suggestion for an interim program that I put forward a few years ago.[1] This is that, from now on

[1] *National Review*, May 6, 1961.

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out, economic foreign aid would be continued solely in the form of loans rather than grants. These would be hard loans, repayable in dollars. They would bear interest at the same rate that our own government was obliged to pay for loans of equal maturity — as of today, say about 4½ per cent. They would be repayable over not more than twenty-five to thirty years, like a mortgage. Like a mortgage, they would preferably be repayable, principal and interest, in equal monthly or quarterly installments, beginning immediately after the loan was made.

Such loans would not be urged on any country. The would-be borrowers would have to apply for them. They would be entitled to borrow annually, say, any amount up to the amount they had previously been receiving from us in grants or combined loans and grants.

All these requirements would be written into law by Congress. Congress would also write into law the conditions for eligibility for such loans. Among such conditions might be the following: The borrowing government would have to refrain from any additional socialization or nationalization of industry, or any further expropriation or seizure of capital, domestic or foreign. It would undertake to balance its budget, beginning, say, in the first full fiscal year after receiving the loan. It would undertake to halt inflation. The borrowing government, for example, might agree not to increase the quantity of money by more than 5 per cent in any one year, and not to force its central bank to buy or discount any increased amount of the government's own securities. The borrowing government might be required to dismantle any exchange controls. In brief, the borrowing country and government would be obliged to move toward the conditions that would be necessary to attract private domestic or foreign capital.

Anticipated Consequences

My guess is that the mere requirement for repayment of principal and interest, to begin immediately, would in itself probably reduce applications for aid to about a third of the amounts we now pay out. The other conditions of eligibility would probably cut the applications to a sixth or a tenth of these amounts. For the borrowing governments would have to think twice about the advisability of projects for which they would have to start paying themselves. Projects would tend to be reduced to those that were self-liquidating, *i.e.*, demonstrably economic.

The borrowing nations could

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not complain that we were trying to interfere in or to dictate their domestic economic policies. These would merely be the conditions of eligibility for loans. The borrowing nations would be neither forced nor urged to borrow from us. The American administrators of the foreign loan program would not be authorized either to dictate or remove any conditions or to discriminate among borrowers. In any case, their discretion should be very narrowly circumscribed.

The benefits of such a program would be many and obvious. It would immediately cut down drastically the outflow of American funds in foreign aid. Most of the aid that we granted through such loans would be repaid with interest. We would not be courting foreign favor. The would-be borrowers would have to come to us, openly. We would cease, as now, to subsidize and expand foreign socialism.

I should make it clear that I am not proposing such a program for its own sake, but as a purely transitional measure to phase out our existing foreign-aid program with the least possible disturbance, disruption, or recrimination. This scaled-down lending program might run for, say, a maximum of three years. At the end of that time it could easily be terminated. For meanwhile the borrowing governments, and particularly private enterprises in their respective countries, would have created an attractive climate, and would have become attractive media, for both domestic and foreign private investment.

In such a revitalized capitalistic climate the improvement in world economic conditions might even become spectacular. ◈

IDEAS ON LIBERTY

First Principles

EVERY MAN should expend his chief thought and attention on the consideration of his first principles: are they or are they not rightly laid down? and when he has sifted them, all the rest will follow.

PLATO, *Cratylus*

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The Macro Malady*

LEONARD E. READ

HAD NAPOLEON been asked to sit atop the Cosmos and manage everything in interstellar space, probably he would have demurred on the grounds that such an assignment was beyond his competence. Yet, he unhesitantly strove for a role no less pretentious: managing millions of human beings, *each of whom is as phenomenal as the Cosmos itself*. A master at his specialization—coercion – he was grossly ignorant of the limits of his wisdom. Knowing so much in so narrow an area, and being unaware of his limitations, led him to assume a role for which no man – not even a Napoleon – has any competence whatsoever.

Napoleon was a "macro." Historically, he and his ilk have been the exceptions. Most people have been "micros." While victimized by authoritarianism, they have nevertheless been content to wrestle with social problems of the micro sort. That's the way the past reads to me.

But the picture changes! Millions upon millions of people are now presuming to settle problems that are over their heads – macro problems. This accounts, in no small measure, for our headlong return to coercive collectivism. At least, this is my thesis.

A typical case in point: A noted

**Macro*: meaning large; comprising the universe; as distinguished from the individual components. *Macro economics*, for instance, refers to the economy as a whole without relation to the individual components. The term recently has come into popular use for what might otherwise be called the economics of collectivism, the centrally planned economy, the welfare state, with emphasis on national income, social progress, full employment, and the like, instead of private property, freedom of choice, self-responsibility, and other aspects of individualistic "micro economics."

In earlier times, macro economics had its equivalent in tribal custom, feudalism, mercantilism, and other variants of collectivism.

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biologist, extrapolating population trends, predicts that there will be one billion billion of us on earth no further in the future than the Norman Conquest is in the past—". . . some 120 persons per square yard of the earth's surface . . ."[1] This, of course, is a horrendous statistic! But the nub of the matter is that the biologist has taken on a problem that's over his head. Such would be the case even were he limiting himself to the problems of our nation at the present moment. This scientist, however, takes on the social problem of the whole world, and some centuries hence! Now, how does this biting off of more problems than one can chew lead to coercive collectivism? Listen to one of the several suggested remedies:

> . . . a program in which everyone is temporarily sterilized (perhaps with a substance added to water supplies or staple foods) will be necessary. This would make positive action, in applying for and taking an antidote, necessary before reproduction.

Mass sterilization! The only way to have a baby is to apply for an antidote, a drug that will restore fertility. Who is to possess this permit-granting authority? Not the scientist; he won't be here. The answer is that a government official will decide who is or is not to be born. Would an Abe Lincoln be given dispensation of life by this political god? Booker T. Washington? Sam Goldwyn? You? I? The biologist himself? Shades of 1984![2]

The above, while somewhat startling and sensational, is no less out-of-bounds than Napoleon atop the Cosmos, or any more far-fetched than millions of Richard Does and Joe Doakeses who now take on social problems bigger than they are and end up by turning the problems over to government for solution. Joe Doakes, who votes in favor of a resolution for the government to finance the local hospital, is in exactly the same category as the biologist—each trying to focus on a problem that is beyond his competence.

What has brought on this rash of macro addicts? Nearly everyone trying to solve problems bigger than the would-be problem solvers? Perhaps we can put our finger on the reason.

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[1] See "The Biological Revolution," *Stanford Review*, September-October, 1965.

Predicting the future by extrapolation can easily lead to fantastic conclusions, points out Dr. Henry Margenau, Yale physicist. By projecting the rate of increase in the number of scientists against general population trends we would have more scientists in 2000 A.D. than people!

[2] I refer to George Orwell's book, *1984*, his nightmare vision of England's future.

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Reflect on my farmer grandfathers. The social problems they dealt with – welfare, security, prosperity – were of a size befitting their mentalities; they thought in micro terms – that is, they did their thinking in terms of the few individuals with whom they had acquaintance and whose needs could be personally judged. Grandfather operated within an orbit of 7-10 miles radius; a trip to "the city," some 50 miles away, was as much of an occasion as one of my trips to London. Frankly, grandfather didn't know of any "need" except what he personally scanned. His communication with and vision of the nation or the world never went beyond a stint in the Civil War, a macro event. Unless a neighbor's barn were on fire, in which case everyone within seeing distance lent a hand, "need" wasn't much in evidence except for the now-and-then peripatetic beggar or hobo. In his micro-vision orbit just about every family looked out for itself; self-reliance was in the driver's seat. These people knew each other too intimately to fool each other. Pretense seldom reared its head.

What we should keep in mind is the fact that America's era of micro vision broke all the world's records for security, welfare, prosperity. Governor Bradford of the Plymouth Colony, when commenting on the results of dropping coercive collectivism, in effect the macro madness of the Old World, wrote:

> . . . any generall wante or famine hath not been amongst them since to this day.

Following that momentous decision in 1623, there has been no famine or involuntary starvation in our land for over three centuries.

However, we must not, in this analysis, give too much credit to our grandfathers. By and large, our ancestors had no more capacity to think for themselves or to see beyond the surface of things than do their progeny who now people this country. Those who cannot think for themselves – ancestors, or us – must, perforce, respond to their environment.

How the environment has changed! Replacing grandfather's little world of micro vision is a brand new world of television, radio, telephone, astro vision, world-wide news coverage in daily papers, magazines, books; we hop in an auto and see America; we board a jet and view the world – in a word, macro vision.

Of a sudden – one might say, without warning – grandfather's progeny are constantly having dinned into their heads all the "needs" of all the people on earth. Appalachia is no less an intimate

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and pressing need today than was a bucket brigade to put out grandfather's fire. Distressed areas, backward countries the world over, foreign ideologies and isms, Negro unrest at home and in faraway Africa, all the poor farmers and all the suffering wage earners, prices for steel, aluminum, copper (the list grows), the cotton surplus, downtowns deserted for shopping centers, the threatening efficiency of the Japanese, the vanishing gold supply, the weakness of the pound sterling, water famine on the Hudson, getting to the moon "because it's there," Russian sputniks – you name it – are problems which most Americans now feel they must find solutions for.

Grandfather had to figure out how to milk his sick friend's cows as well as his own; I have to contrive ways to get all of mankind out of the mess it's in; I do unless I can see beyond the surface of things and, thus, not let my micro mentality be drawn into tackling macro problems.

Why Do They Do It?

Those persons who cannot see beyond the surface of things – their number is legion – take on problems bigger than they are and, as a consequence, push us into coercive collectivism, that is, into the all-powerful state. But we may never understand why this is true, why they act as they do, unless we can effect a self-induced blindness equal to their myopia, until we bring ourselves to seeing no more than they now see.[3] In short, we can explain them only as we put our own vision into reverse and back up to where they are – put ourselves in their shoes, as the saying goes.

With this mental gymnastic accomplished, what is it we no longer see? We now cannot see any efficacious results that could possibly flow from thinking in micro terms. A leading labor official put it clearly and succinctly:

> Only a moron would believe that the millions of private economic decisions being made independently of each other will somehow harmonize in the end and bring us out where we want to be.[4]

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[3] For further exploratory reading on this point, see the chapter, "What Is Seen and What Is Not Seen" in *Selected Essays on Political Economy* by Frederic Bastiat (Princeton: D. Van Nostrand Co., Inc., 1964), pp. 1-50.

Or, on the same subject, read the chapter, "The Broken Window" in *Economics in One Lesson* by Henry Hazlitt (Irvington, N.Y.: The Foundation for Economic Education, Inc., 1962), pp. 15-16.

[4] See *The New York Times*, June 30, 1962.

For an extended explanation of why the labor official's view is false, see the chapter, "Incomprehensible Order" in my book, *The Free Market and Its Enemy*. (Irvington N.Y.: The Foundation for Economic Education, Inc., 1965), pp. 50-67.

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The implication here is clear. The labor official, not being able to see any possibilities in micro economics (the free market), can see no solution to social problems except through the political implementation of macro economics. That he in his blindness refers to free market see-ers as morons is only because the term is stronger than extremists, crackpots, nuts. There is nothing new or strange in this. Most of us have a tendency to regard as slightly tetched the connoisseur of any speciality about which we know nothing.

I use the labor official as a prototype only because he expresses his blindness more brilliantly than do the vast majority of citizens who are in his unseeing state. The labor official simply does not see what a few at least dimly perceive.[5] However, the fault may be as much with us as with him. Free market see-ers aren't able to throw enough light on the matter. Indeed, some of "us" entertain a doubt now and then about the free market being adequate to the occasion – mail delivery, for instance. Or monopoly, or disaster, or education. Who among "us" has no blind spots?

There is no man, present or past, who achieves more than a micro mentality. As the distinguished French scientist, Lecomte du Noüy, put it, "Man's image of his universe is founded on less than one-trillionth of the vibrations which surround him." In any event, our inability to recall a single see-all, know-all, individual should make this affirmation self-evident. No one of us ever sees more than a wee fragment of the whole universe, of another person, or even of the whole self.

Now suppose a person – such as the labor official – is unable to see how ordinary mentalities focused on micro problems, if left free to act independently of each other, could possibly attend to social and economic problems. Remember, we have put ourselves in his position. Blindfolded thus, we can see no opening to the free market (micro) avenue – none whatsoever!

What to do? Surely, there are macro problems galore. One avenue, and one only, appears open to us; a macro-solving formula. Having only micro mentalities ourselves, we don't quite know how to solve a macro problem. So, how are micro mentalities to be made into macro-problem solvers? What's the formula? This is the question we must, in our self-induced blindness, ask ourselves.

Our answer? Thoughtlessly, and for the most part, we turn the macro problems over to govern-

[5] For an explanation of what one micro thinker sees, refer to my chapter, "The Miraculous Market," *Ibid.*, pp. 6-21.

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ment. But, by this process, what is it we really do? We do no more than give the macro problems to micro mentalities with but one ingredient added: *a police force!* Reduced to its essence, we give micro thinkers the gun power of a constabulary on the naive assumption that this renders a competency to cope with macro problems. We add only force – not one iota of wisdom – and feel relieved by how intelligently, neatly, efficiently we discharge our responsibilities! This is the view we get when we cannot see beyond the surface of things.

The blindfold having served its purpose, let's remove it. The fallacy of the above course of action, and the unjustified sense of accomplishment, are immediately apparent when we distill what we have done to micro dimensions: you and me.

Let us say that you are insufficiently secure and prosperous. What can I do to ameliorate your plight? I can give or loan you something that is mine or, perhaps, give you some helpful counsel. Isn't it obvious that my assistance cannot be increased by forcibly imposing my will on you? What can I do with a gun that I can't do better without one? Nothing whatsoever! For, surely, you won't sanction my employing this coercive means to take from others and give to you. Not in a you-and-me micro situation, you won't. But if you start thinking in macro terms you will – as do millions.

No plague has ever destroyed or impoverished or kept from self-realization more human beings than has the macro malady. The pilgrims who starved and died during the three years after landing at Plymouth Rock were its victims. Several million Russians perished during 1931-32 at the hands of macro thinkers – not by men playing God but by men playing against God.[6] Every soldier who loses his life on the battlefield dies of the macro malady – micro men undertaking macro roles.

Causes of War

Any observer can see that wars, the preparation for them, and their aftermath, lead toward the total state, that is, toward more governmental takeover and an increasing number of macro problems. But only those who can see beyond the surface of things can see that when a people collectivize in a power organization – socialism, authoritarianism, the welfare state, the planned economy – in short, when they "macronize,"

[6] William Henry Chamberlin was in Russia at the time of this enormous disaster. See his article, "State Economic Planning: Tragedy or Futility," THE FREEMAN, January, 1966, p. 27.

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wars become possible, indeed, more than likely. Men in a free market, a people who limit themselves to micro problems – acting individually and in response to free choice – do not make war; they create and trade! Just as do the people in the abutting states of Illinois and Wisconsin, so will any people who, when free of busybodies, tend to mind their own business.

We cannot help concluding that the macro malady is but the social and economic manifestation of a vicious circle: macro organization brings on wars, and wars make macro problems which, in turn, compel us into macro organization.

Inflation helps to make the point. This dilution of the medium of exchange is the fiscal outcome of excessive government, that is, of macro organization. And what are the solutions? One control atop another: price, wage, rent, interest, production, exchange, all of which are of macro dimensions.[7]

The water famine on the Hudson is now a macro problem arising from macro (socialistic) organization.[8] I see no point in extending the list; it is clear, if we focus the eye aright, that micro mentalities, when trapped into macro-problem solving, contaminate society with mankind's most destructive disease: the macro malady.

The Remedy

What, then, is the remedy for the macro malady; how do we get ourselves out of this vicious circle? The answer, it seems to me, is simple enough but, in our world of macro vision, difficult to put into personal practice.

Perhaps the wise Socrates gave us the cue when he said, in effect, "That man thinks he knows everything, whereas he knows nothing. I, on the other hand, know nothing, but I know that I know nothing." The first step, it seems, is to recognize that "I" – no matter who – am a micro mentality and, thus, incapable of coping with or solving macro problems. In short, when asked how to solve macro problems, I must learn to tell the truth: "I don't know."

The next step is to realize that no other person, regardless of pretensions or the amount of force at his disposal, possesses anything beyond micro mentality himself and is no more capable of solving macro problems than I am. Required is a penetrating skepticism: trust no man beyond his infinitesimal area of competence;

[7] See "The American Setting: Present and Past," in my *Anything That's Peaceful* (Irvington, N.Y.: The Foundation for Economic Education, Inc., 1964).

[8] See "Water Famine on the Hudson," THE FREEMAN, September, 1965.

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hold him to the very little he knows.

When enough of this kind of realistic skepticism exists, we will have no more truck with "pretenders to the throne." Only then may we begin to see slightly beyond the surface of things, at least beyond what the aforementioned labor official can see: *the therapeutic power of freedom.* True, "millions of private economic decisions made independently of each other" may not bring us out where *he* wants us to be; but this micro, free market, individual, freedom-of-choice process will bring millions of people as close to where *each of them* wants to be as is possible. There *is* a distinction.

As stated above, the nearest approximation of the micro approach ever practiced broke all the world's records for security, welfare, prosperity, and the release of creative human energy. The argument that this worked all right in a simple economy but is inapplicable in a complex economy does not hold water. The more complex the economy the more must the micro way of life be relied upon. For, as the complexity of the economy increases, man's ability to manage it correspondingly diminishes. No self-respecting individual will concede to any other person the competency to manage his own creative life for him. Think, then, how absurd it is to expect a competency to direct the complex arrangement involving millions of lives!

The micro approach – each person operating within the limits of his knowledge and competence – should require no theorizers; its record is so remarkable and profuse. Those of us who are privileged to apprehend its performance know full well that its practice will put an end to macro problems. There'll be no more water famine on the Hudson, for instance, than there is a famine in chickens, or cornflakes, or mink coats. Only micro problems will remain: each person trying to figure out how best to improve his own little world in free and voluntary cooperation with others. Problems will fit the problem solvers and, thus, find such resolution as each is capable of. When individuals attempt to solve problems over their heads, they are in a wild and dangerous guessing game, like children trying to explain what makes the world go round, and with the power to impose on the rest of us the vagaries of their imagination. But when individuals are at work on problems of their own size, they will be at their best as problem solvers; they will, as we say, come to themselves. ◈

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THE WAY TO BEAT THE HEAT

WHEN ADAM SMITH wrote his *Wealth of Nations,* he had North America very much on his mind. The British colonies along the North Atlantic littoral had been thriving in spite of the prevailing mercantilist philosophy. Wages were high because land was cheap and the pull of the frontier made city labor scarce. Smith read a lesson in this which helped make the nineteenth century the freest of all time.

Now, almost two centuries later, Mogens V. Hermann, a Denmark-born economist and statistician, has applied *Wealth of Nations* criteria to the modern world with the tropics very much on his mind. His *Contribution and Reward* (Exposition Press, $6.50) might be called an exercise in geoeconomics, for it seeks to determine what monsoon rains, enervating heat, and such diseases as malaria and dysentery, do to affect the energies of men. His conclusion is that hot-country geography can be overcome by the application of classical economic principles only with difficulty. But even though the virtues of hard work, self-reliance, avoidance of waste, thrift, and a knowledge of one's own assets may be hard to perceive in a steaming and superheated atmosphere, they are still a better bet than letting the "government" dominate the picture with forced industrialism, "nationalization" of foreign enterprises, and a series of Five-Year plans.

Experience in the Tropics

Mr. Hermann's credentials as an adviser to tropical nations are sufficiently impressive to make *Contribution and Reward* a "must" reading in such variegated places as the Congo, South Vietnam, and the Dominican Republic. A graduate in economics, statistics, and law at the University of Copenhagen, he served in Danish government

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offices and in the Danish army for two years. Thus he knows the advantages and defects of state-administered systems from experience at an impressionable age. Following his military training, he became a statistician for the State Bank of Ethiopia, where he domesticated the idea of compiling monthly statistics. Still pursuing a career in the tropics, his next job was as Assistant Chief of the Department of Economic Research for the Banco Central de Honduras, where he worked on such immediately relevant topics as evaluations of foreign companies and the balance of payments. In the early nineteen fifties he was sent by the International Monetary Fund to reorganize the National Bank of Nicaragua. Then, before taking up his current occupation as a currency analyst in New York City, he studied the problems of Thailand, Malaya, and the Philippines for the International Bank for Reconstruction and Development.

It is as important to mention all this in connection with *Contribution and Reward* as it is to stress Adam Smith's observation of the workings of the corn laws and the herring bounty when one is talking about the attack on mercantilism in the *Wealth of Nations*. Mr. Hermann draws his theoretical conclusions from an experience that is practically unique for an economist born in the temperate zone. He knows how men in the tropics feel.

Historically, the idea in the tropics has been to "beat the heat." One does this best by letting other people do the work. Hierarchies, aristocracies, and ruling priesthoods were based on the idea that idleness was a superior virtue. The clever man tried to corner enough land to support serfs who could yield him a life of luxury. Priests studied their parishioners' means with an eye to where the gift of a chicken or a handful of cereals might be expected. The social levels became stratified, and the expectations of peasants were dulled by a daily contact with an agriculture that knew little about the use of fertilizers or insecticides or better seeds.

The North Sets Examples of Law and Order

Mr. Hermann, in his own extensive travels, has observed that the incursion of temperate zone "colonial exploiters" in tropical lands has had good effects in countering the "beat the heat" mentality. India benefited by the administrative training and example brought by the British. The Filipinos, after two or three generations' contact with Americans, are better prepared to live in the modern world than, say, the Ethiopians, who were

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never conquered. This is not an argument for "colonialism"; it is merely an explanation that the tropics would do well to imitate northern methods of administration and a northern view of the desirability of "law and order."

But even in lands where colonial administrators and enterprisers have provided examples of the virtues of hard work and avoidance of waste, the old "beat the heat" tradition hangs on as "freedom" takes over. Education becomes a fetish with the emerging tropical nations, but it is not the sort of education that is needed to combat the notion that the clever man lives by the work of others. The idea is to go to school long enough to be trained as a planner in a semi-socialistic system, then take a job with a Fabian government that has wangled a "spectacular" such as a steel mill or a big dam as "foreign aid." The "educated" Fabian won't care that the steel mill won't have much of a domestic market, owing to the absence of small metal-working shops and retailers. He won't care that farmers who know little about soil nutrition aren't in the market for steel plowshares or tractors. The idea that an economic system must grow out of a score of small enterprisers who mesh their needs, their skills, and their ideas will be anathema to the "educated" planner with a background in the sort of economics taught by the late Harold Laski.

Mr. Hermann admits that a semi-socialistic "planning" government in the tropics can offer short-term advantages to an electorate that has had "one man, one vote" for at least one time around. Technical aid from abroad will come in to put native labor to work building the "spectacular." Some ideas about the organization of an enterprise will rub off on local people. But a government-owned spectacular will offer a haven for political appointees. It won't have to show a profit. (In Mexico, the "nationalized" oil industry, "Pemex," has been regarded as a fertile field for stowaway berths for anyone supporting the "revolution."

A Vicious Circle

What the "planner" won't see is the private investment that "government" industry and the threat of "nationalization" have scared away. They won't see that the "educated" class have been siphoned off by the high "social overhead" imposed by the very existence of big bureaucracies. People with brains will be pushing paper at the capital, not designing new small businesses out in the provinces. High taxation will be encouraged to pay for the planners' retinues. And inflation will bother nobody in a government that can raise its own

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salaries as its paper money floods the market.

Mr. Hermann has a theory that history is a matter of pendulum swings. A mercantilist age will give way to the age of Adam Smith. Then, in the space of a few generations, the Marxists and the Fabians will begin to have their way. But Marxism and Fabianism, he thinks, must lead to disillusionment, for socialism yields inferior production. In Europe "indicative planning" is still popular. But Marxism is losing its good repute, and the "indicative planners" are more inclined to accept the necessity of a market that is at least 50 per cent free.

So, as Mr. Hermann sees it, the pendulum is swinging back toward *Wealth of Nations* ideas. The swing will probably take some time to reach the tropics. But when Mr. Hermann, in humble tones, says that God would not have led him "on a guided tour of certain widely separated areas" without a "purpose," he does not doubt that, even in the tropics, common sense is bound some day to take over. ◈

▸ INTRODUCTION TO POLITICAL SCIENCE by Oscar H. Ibele (New York: The American Press, 1964), 810 pp. $7.50.

▸ HISTORY OF POLITICAL PHILOSOPHY edited by Leo Strauss and Joseph Cropsey (Chicago: Rand McNally & Company, 1963), 790 pp. $8.50.

Reviewed by Edmund A. Opitz

A UNIVERSITY PROFESSOR of sociology, generally regarded as at the top of his trade, proclaims himself "a man of the Left." And he believes that this is "a nation in which Leftist values predominate." This observation appears to hold true of the academy, at any rate, and especially of the departments of social science; economists, sociologists, and political scientists incline more in the direction of the welfare state than toward the market economy and the free society. Many of the most widely-used college textbooks reflect this prevailing bias. A professor of political science who leans toward the conservative-libertarian position is a rare bird, and still rarer is a competent and comprehensive textbook of political science. Professor Ibele of Kent State University is not "a man of the Left," and his book is an excellent introduction to politics.

This volume is designed for an introductory political science course, and it has emerged from

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the author's long experience teaching the subject to college students. It is mainly descriptive and analytical. There's no sound of an ax being ground in the background; the facts and ideas are permitted to speak for themselves as the student learns some of the arguments for limited government and free market theories. He is also, of course, exposed to an exposition of other philosophies of society which hold millions of people in their sway.

The student gets a brief background of the history of government, a description of the governments of other nations, good coverage of our own form of government in theory and practice, the workings of our systems of law, international politics, and much else. Now a textbook is not exciting reading, but the general reader might find this a useful book to have on his shelves for browsing and consultation. Each of its thirty-two chapters has a bibliography, and the extensive index means that topics can be readily located.

The Strauss-Cropsey book is a handsome anthology consisting of thirty-three essays on the great political philosophers from Plato on down, written by twenty-eight authors. Most of the influential names in Western political thought are here, and the discussion is high level and expert. The individuality of the authors is not curtailed, but a certain unity of treatment is attained because these authors form part of what might be called The Strauss School, that is to say, they are students and associates of the venerable Leo Strauss, University of Chicago political philosopher. This constitutes recommendation enough for any book! ◈

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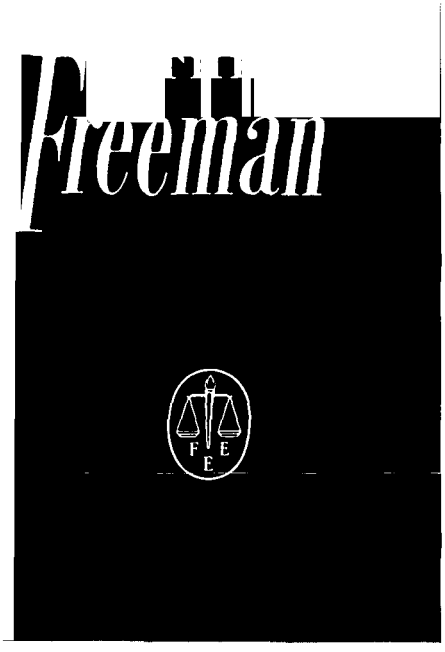

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EDWARD BAINES, History of the Cotton Manufacture in Great Britain, 1835

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